

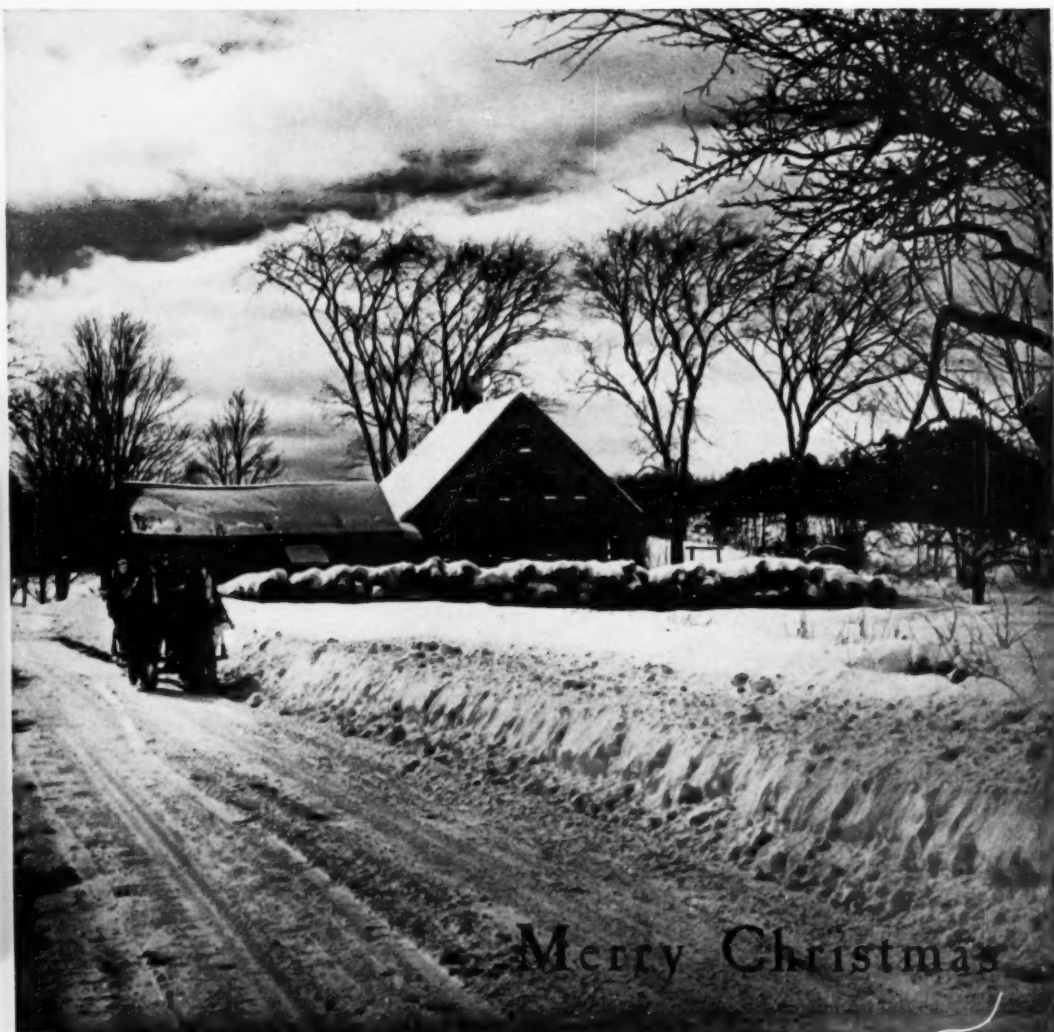


The

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WORLD

December 1950



Greetings to Our Friends and Fellow Members
of the Credit Fraternity

ASSOCIATED CREDIT BUREAUS OF AMERICA

Collection Service Division

7000 Chippewa

The National Retail Credit Association contributes this space monthly as
a courtesy to its members of the Associated Credit Bureaus of America.

Credit Bureau Division

St. Louis 19, Mo.

Christmas Greetings From Our President



THE CHRISTMAS SEASON is the time each year when we pause from our usual labors to think of others. We manifest our spirituality by a humble devotion to the birth of Jesus. To our friends and our loved ones we express our deep interest through gifts and special greetings. Each year brings a change in new friends and the loss of dear ones who have passed on to the Valley from whence no traveler returns.

At this time of giving and remembering, it is important also that one pause and give thanks to our heavenly Father for his many gifts to us; for our friends; our blessings; and the opportunity to live, work and worship as we desire in this great country of ours.

It is well to remember, too, that these privileges are not confined to a day or to a season. They are blessings to enjoy and share every day and for all time. It would be a wonderful world if the true spirit of Christmas was observed each minute of every day throughout the year. Not for material gain, but for the daily rebirth of the spirit, the closer intimacy with God; for the full appreciation of our friends, and for the devotion to our loved ones. Christmas should not only be a date on a calendar, but a feeling from within for the consistent betterment of each other with the increase of understanding that naturally follows such thoughts.

It is with this feeling that the Kingdom of God is within us that I send greetings to our family of organizations and to their friends—the National Retail Credit Association, the Associated Credit Bureaus of America and the Credit Women's Breakfast Clubs of North America.

May your Holiday Season be a happy one; may Christmas be in your hearts every day, and may the New Year bring you greater blessings in success, health and happiness.

President

National Retail Credit Association

December
1950

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- (2) Analysis of the Relief Act: Prepared by a prominent New York attorney and written in the language of the layman.
- (3) Questions and Answers on the Relief Act: Thirty-nine problems of everyday occurrence answered in a way which will assist you to secure a working knowledge of the Act. Necessary forms illustrated.

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- Can a service man's wife be evicted for nonpayment of rent?
- Why is it necessary to ascertain whether a person is in military service or not before bringing action against him through the courts?
- When is it necessary to file an affidavit as to the military service of the defendant?
- Can a service man secure a stay of proceedings in connection with a judgment entered against him prior to his induction?
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The CREDIT WORLD

OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

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3. The Value of Personal Credit.
4. Credit Depends on 2 Things.
5. Your Credit Record Is an Open Book.
6. How to Establish Your Credit.
7. How to Maintain a Good Credit Record.

ON THE LAST page appears the Code of Ethics of the National Retail Credit Association which in itself carries a worthwhile educational message to the consumer. On the inside back cover is the National shield containing the slogan "Guard Your Credit as a Sacred Trust." The outside back cover has been left blank so that you may, if desired, imprint the name of your store on it.

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CREDIT WORLD 7
DECEMBER 1950

The Effect of Consumer Credit On Business Fluctuations

Ernst A. Dauer

Director of Consumer Credit Studies, Household Finance Corporation, Chicago, Illinois

IN THIS PAPER, I am limiting myself to one category of consumer credit, namely: Instalment credit used for the purchase of durable goods. To simplify the reference, I am calling this "instalment sale credit" at some points. I am using this term in the manner in which it is commonly understood by the public. This is a much broader sense than that in which it is used in the Federal Reserve statistics, where it is limited to credit originated by retailers. In a number of cases, when it is necessary to refer to figures, I will refer to the amount of total instalment credit, since there are no readily available figures on the amount of instalment credit used in the purchase of durable goods.

Two categories of consumer credit thus excluded from treatment are: charge accounts and instalment credit for purposes other than the purchase of durable goods. Charge accounts covering the purchase of goods and of services are normally paid within a short period of time after the bills covering them are rendered, and usually involve little or no anticipation of future earnings. The chief variations in the outstanding amounts of such accounts reflect seasonal changes in the volume of sales. From the point of view of our inquiry, such fluctuations are relatively unimportant.

Instalment credit for purposes other than for the purchase of durable goods usually represents credit originated to meet emergencies such as those caused by illness, or sudden or temporary loss of income. The need to consolidate debt may also result from overbuying, failure to plan ahead or careless budgeting. Such credit fluctuates relatively little in amount, and has a *much* greater social, than an economic, significance.

The remaining category, consumer instalment credit used to purchase durable goods, has grown to the point where it accounts for more than one-half of all consumer credit and more than four-fifths of instalment credit. The volume of new credit granted and the volume of outstandings fluctuate seasonally with changes in the sale of durable goods. But the seasonal fluctuations are far overshadowed by the cyclical fluctuations. During periods of increasing economic activity volume expands greatly; when business activity, employment, and confidence decline, volume declines greatly.

We attend these conferences, because as businessmen active in the consumer credit field, and as citizens interested in the welfare of the country, we wish to examine the significance of those cyclical fluctuations; their importance to the stability of business and employment; and the appropriateness of controlling consumer credit terms as a means of increasing the stability of production, em-

ployment and trade. Before proceeding to these questions, it is desirable to review briefly the effects of the *growth* in instalment sale credit. That growth, essentially all of it within the last 35 years, has brought the outstanding volume to its present total of 10 billion dollars, with new credits granted representing the financing of almost one-half of all durable goods sales. The most rapid growth in the use of instalment sale credit seems to have occurred during the decade of the Twenties, but the growth in degree of use, at a reduced rate, may still be continuing.

That impressive growth could not have occurred without the development of the specialized financing agencies offering instalment credit services, and their acceptance by creditors and investors, and acceptance by the general public of the use of the instalment credit device. Simultaneously, the demand for instalment sale credit arose from two factors: on the one hand, the mass production of durable consumer goods; on the other hand, the rise of real incomes above subsistence levels for the mass of wage earners, enabling them to purchase such goods.

That growth in the use of instalment sale credit has had a profound influence upon our economy. Consumer instalment sale credit *alone* has made possible the widespread acquisition by average families of the continuing services of major durable goods. That is the unique characteristic of the North American standard of living. The abundance of goods and services in the United States and Canada has resulted from that unparalleled economic progress which can truly be called "The Miracle of North America." That abundance was made possible by large scale production and required the use of machinery of increasing size, cost, and efficiency. But large scale production would not have been feasible or profitable without the *assurance of sustained mass markets*. The average family must use instalment credit in order to purchase *all major* durable goods. Its use has transformed the character of our standard of living.

In transforming the character of our standard of living, instalment sales credit has shifted demand from some non-durable goods and services to certain durable goods. In recent years, we have had a vivid illustration compressed in a short time period of the effect of that sort of shift in demand upon the fortunes of particular companies, industries and products. During the war when durable goods were not available consumer expenditures for luxury goods, for soft goods, for services, were high in spite of the large additions to liquid savings. As soon as durable goods again became available, the luxury goods lines, the restaurant business, the liquor business, the soft goods business immediately felt the effects as consumers resumed their pre-war spending habits.

It is also correct to say that instalment sale credit has brought about an increase in real income for two reasons: (1) through the shift in demand to the durable articles

An address given at the Consumer Credit Conference, University of Illinois, Chicago, Ill., October 5-6, 1950.

which increase the efficiency and productivity of their users; (2) through the reduction in prices which mass demand and mass production have made possible. For example, the automobile people tell us that large scale production has reduced prices far more than the carrying charges involved in the use of credit by the consumer.

Let us turn now to the effect of cyclical fluctuations in instalment sale credit. At the outset it is desirable to point out that the downward fluctuations in credit have not been the result of limitations upon the available supply of consumer credit. Supply of credit has certainly not been a limiting factor during most of the last 20 and, to lesser extent, the last 30 years. Instead, the fluctuations in instalment sales credit have been derived from, and directly related to, the fluctuations in the demand for durable goods. (During 1942-45 the decline in use of instalment sale credit was the result of the wartime absence of durable goods.)

It is generally conceded that fluctuations in instalment sale credit do not initiate changes in business fluctuations. Available statistics indicate that the several measures of instalment sale credit volume reach their peaks after the peak in business activity, and may also turn upward after the low point in business activity.¹

The significance of the fluctuations in instalment sale credit arises from the fact that its use, like the use of any credit, may be said to exaggerate fluctuations in business activity. It does so, because its use increases the purchasing power of the individual and of the economy, when looked at over a short period of time. The total amount of credit granted during a year is used by individuals to purchase particular articles to be paid for out of future income. For the economy as a whole, that total is offset by the repayment of credit previously granted. It is generally stated, then, that the net increase in instalment sale credit during any particular period of time (such as a year) is an addition to the purchasing power of the economy and a stimulating force during that period of time. Conversely, when repayments exceed new credit granted, the net decrease is assumed to be a depressing force.

Net Increase in Outstandings

It is more precise to say that the net increase in outstandings is only a first approximation, and that it overstates that stimulating force. It overstates the increase in consumer demand for goods because part of the net increase in credit is offset by savings of other consumers in the economy. Stated differently, consumer demand is increased only to the extent that the money supply is increased. From a practical standpoint that means that any increase in consumer credit which is accomplished without an increase in borrowings from banks does not represent a stimulating force.

The increase in consumer credit outstandings of the major sales finance companies and small loan companies, for example, has been financed to a considerable extent in recent years, by the sale of preferred stock or debentures to insurance companies; it may be presumed that these purchases represent funds saved out of current in-

come by policyholders. Some increase in consumer instalment credit was financed through the withholding of dividends from stockholders, thus representing current savings on their part. Furthermore, some portion of the increase in consumer instalment credit has been financed through stock flotations which have been purchased out of current income of individuals. Furthermore, the record from 1929 to 1941 shows that expansion in outstandings of the specialized financing agencies was accomplished to some extent by use of idle cash balances. For these reasons we are justified in concluding that the net change in outstandings is only a first approximation of the effect of consumer instalment credit upon the economy.

But, if we take the net change in instalment credit, even though it is an overstatement, how important has it been quantitatively? In recent years the disposable personal income of the United States, that is the income after taxes of consumers, has been about \$190 billion. The increase in instalment credit has been about \$2 billion per year. Therefore, the direct inflationary effect, if any, of instalment credit has been in the magnitude of about one per cent of disposable personal income per year.

Change in Total Consumer Instalment Credit

The net change in total consumer instalment credit was never more than 1.5 per cent of disposable personal income, in any of the years from 1929 to 1949, except for the sharp decline in the first war year, 1942. Thus, as an inflationary, or a deflationary force in the economy, total instalment consumer credit has had a small, almost negligible, direct effect. Of course, there are some indirect effects as well, but even if we assume that the total effect is three times the direct effect, instalment credit changes are relatively minor as compared with the total changes in income produced by federal fiscal operations or by all economic forces combined.²

I have said nothing about the size of instalment credit outstandings. I am sure everyone is aware that as an inflationary or deflationary force in the economy, that is a matter of no importance. It is the net change, alone, which exerts an inflationary or deflationary influence.

It was alleged in the Twenties that consumers would become so over-indebted that a depression would lead to widespread failure of the consumer credit agencies. Consumer credit was sound; the losses in the early Thirties, though substantially above normal, were absorbed in an orderly fashion. That argument has not been repeated in recent years.

Instead, it has been emphasized that in a period of declining income, repayments on existing contracts curtail the spending by consumers for other goods, thus intensifying the downswing. This appears to be a plausible argument because when we look at a single individual we see that repayment of an instalment indebtedness prevents him from spending his entire current income on goods. If the individual's income is curtailed, the effect upon his current expenditures is intensified.

But, for the economy as a whole, how important was the decrease in instalment credit from its peak of \$3.2 billion in 1929 to \$1.5 billion at the end of 1932? The

¹The measures referred to are: (1) the volume of new credit granted within a given period of time; (2) the volume of credit outstanding at a particular time, which is the residual obtained after subtracting repayments from the credits granted; and (3) the net change in outstandings from time to time. Each of these fluctuates and their fluctuations are interrelated, but their turning points differ.

²Professor Haberler considers only the direct effect, and rejects the use of total effect in his analysis (*Consumer Instalment Credit and Economic Fluctuations*, New York, National Bureau of Economic Research; 1942, p. 79-80) because its magnitude cannot be satisfactorily arrived at.

decrease over the period averaged about one-half billion dollars per year. Now in those years the gross national product decreased from \$104 to \$58 billion, disposable income declined from \$82 to \$48 billion; and personal consumption expenditures from \$79 to \$49 billion. The annual decrease in instalment credit in those years ranged between one-half of one per cent and one per cent of the various income measures. Stated differently, the decrease in instalment credit amounted to from 3 to 6 per cent of the annual decrease shown in these various income measures. It appears clearly absurd to say, therefore, that the repayment of outstanding credit is a significant drag upon the purchasing power of the community and an important intensifying factor in the downswing of a cycle. The degree of contraction in consumer credit which occurred was so small in comparison with the contraction in expenditures for consumer durable goods, and in expenditures for producer durable goods and construction, that it appears ludicrous to single it out as the intensifying factor to be regulated by government.

Sales of Consumers' Goods

I have recently had my attention called to a thorough statistical study which bears on this question. It was published by Harvard University and prepared by Dr. Arthur R. Tebbutt, now dean of the graduate school at Northwestern University. His study shows conclusively that, on the whole, in terms of *physical volume*, sales of consumers' goods held up well through 1931 and that the decline in the exceedingly depressed year of 1932 was not drastic. Sales of producers' goods, on the other hand, suffered unprecedented declines during that depression period. Use of housing, and sales of autos and radios were in an intermediate position. This study disposes of the popular misconception that repayment of instalment credit in that depression intensified declines in the sales of food, clothing, furniture and furnishings, for example.*

There is one additional fact that I wish to point out. There is no evidence to show that businessmen, generally, relax instalment sale credit terms in a period of high business activity, or that they tighten them in a period of reduced, or declining, business activity. Instalment sale credit has been equally available in either period. But in periods of high business activity, people have utilized it. It is correct then to say that the use of instalment sale credit permits a larger sale of durable goods in periods of high business activity. In periods of reduced business activity, it has been the unwillingness of consumers to buy or borrow, and their ability to defer purchases, which has restricted demand. It is not correct, therefore, to say that instalment sale credit reduces the sale of such durable goods during periods of reduced business activity. Therefore, the intensification of fluctuation in durable goods sales which can be attributed to the use of instalment sale credit is solely on the upside.

Now let us answer the question, is the control of consumer credit terms an appropriate and effective method of reducing business fluctuations? By requiring higher down payments and shorter terms in a period of active business it is possible to decrease the demand for major durable goods. It is impossible appreciably to stimulate

the demand for major durable goods, or stimulate an increase in instalment credit, through lower down payments and longer maturities during a downswing. Relaxation of terms is ineffective when people lack confidence in the future, when there is a significant amount of unemployment or fear of widespread unemployment.

There are those who feel that cutting down of the "peak" output of durable goods is desirable even if the "valley" is not filled in. However, that would provide only an insignificant contribution to the smoothing of business fluctuations. The fluctuations would still be large because all purchases of consumer durable goods, like the capital expenditures of business, are controlled primarily by confidence in the future. It must not be forgotten that it is the durability of durable goods, and hence the postponable character of the demand for them, which causes the fluctuations.

There are far more important implements for controlling cycles which the Federal Government can exercise, such as the tax policy and other fiscal operations of the Treasury, the timing of public works expenditures, farm policy as embodied in the price support program, and financial policies in the field of urban housing. *In the absence of effective coordination of such implements of control*, regulation of consumer instalment credit must be ineffective, *unless* such regulation is stringent. (If down payments were increased to approach 100 per cent in prosperity, for example.) In that event, the effect can be only to reduce the demand for durable goods during prosperity, without increasing the demand appreciably in a depression. The result is merely a lowered average level of industrial production and employment, and a lower-than-necessary standard of living.

If we are realistic, we recognize that the proposals permanently to regulate consumer credit are born of frustration. They are born of the unhappy dilemma faced by those charged with administration of monetary and credit policy. The huge federal debt and the attitude toward it of Treasury officials prevents use of the traditional instruments of credit control. This causes politicians and technicians alike to grasp at minor or popular tools and prompts them to use other powers, regardless of how ineffective they may be.

Reference to Current Situation

It would be inappropriate to conclude without some reference to the current situation. What is the place of consumer credit controls in wartime, or in a period in which a large proportion of our productive resources must be devoted to guns and not to automobiles?

It has already been pointed out that stringent down payments and shortened repayment periods can reduce the demand for durable goods. The 1941-1942 experience showed, however, that direct allocation of materials and priorities were necessary to transfer productive resources promptly.

As an anti-inflation device, consumer credit control is a pitifully weak weapon in the face of mounting defense expenditures and administration-encouraged wage-price spirals. Consumer credit control has been a politically acceptable device which gives the appearance of grappling with the problem. One of its chief dangers lies in deluding Congress and the public into believing that it and the other half-way measures adopted to date constitute effective controls. ★★★

*Arthur R. Tebbutt, "Behavior of Consumption in Business Depression" Harvard University, Bureau of Business Research, Business Research Studies, No. 3 Boston, 1933.

Time, Tide and Melting Ice

F. E. MORRISS, Executive Secretary, Texas Retail Dry Goods Association, Dallas, Texas

IF A credit department, no matter how many applications for credit it may get, or the character of them, intelligently applies credit sense in screening its risks, it need not have stomach ulcers because of credit losses. Naturally this implies that the credit department, no matter in what size business, is on its toes, and trying to do what every well regulated credit department should do, a good job of credit sales promotion. To think that any store or business would be content to sell just so much and no more does not fit into the modern concept of credit management.

In passing, let it be noted that some credit managers are likely to be pessimists, who look only at the uncollected accounts, say one-eighth to one-fourth of one per cent all of the time, when they should be thinking of the ninety-nine and seven-eighths, or ninety-nine and seventy-five one hundredths per cent of money collected. Hence we mention the ulcers.

Mature minds of course, scan their uncollected list, estimate its value and set in motion the machinery for salvaging a goodly portion, then pass on to the business of making two blades of sales grow through their department where only one grew before. But since this is a story of melting ice as well as time and tide, remember that if something had happened to the ice George Washington would never have been able to cross the Delaware. The ice melted and broke up, and the British were caught in an embarrassing position. Their faces were as red as their coats when King George put them on the carpet.

Furthermore in a few weeks after that, if one should have crossed the Delaware, it would have been as free of ice as if there were no such thing. The ice had entirely melted away. What would you think of a person who ordered the ice man to leave one hundred pounds of ice and then allow it to stand in the sun until it has been reduced to one cent's worth? You would be likely to think that he was forgetful, queer or something. Maybe you would say "that nut needs his head examined, and how."

Follow Up On Accounts Promptly

Then if you as a credit manager want to give the greatest attention to what should command your greatest attention, seeking new business, to prove your worth to your firm, you will set up machinery that will promptly follow up on accounts, and keep them collected so that your store can boast the average collection record or better. Otherwise you can surely look at those accounts as if they were a block of ice. At opening they are represented by a full block of ice, or one hundred cents on the dollar. Looking again the ice has melted to where it represents but 90 per cent, then 67 per cent, and in turn 45, 23, 15 and one per cent. And such procedure results in ulcers.

If you permit many like that to melt and swell the tide of uncollectibles, you will not be boasting any real collection record, and your reputation as a credit manager will be on the wane. It will follow that you may never be able to say to the boss, as you lay quarterly or annually a report of what you have accomplished on his desk, "this

is deserving of a rise in pay." Certainly the boss will not be inclined to volunteer an increase in salary.

As melting ice, time and tide wait for no man, why not take stock of yourself and discover just what value can be placed on your services as a credit manager by yourself. Is the business growing because of you? Is the careful screening you do of application for credit doing two things, assuring that you get on your firm's books, the largest number of prompt paying customers, and that you do not turn down the business not quite as satisfactory, yet profitable? Make sure too that when you sort the applications into good, not so good but satisfactory, doubtful and borderline, that you see how many of the doubtful and borderline you can retain as cash or lay-away customers by treating them courteously, winning their confidence, and eventually bringing them into the fold of good charge customers, some limited, some unlimited, and some in-between.

Advice Sought From Credit Executives

Lest some "old-head" in the credit business jump up and shout "those things are academic; we all know that, why not tell us something new." You old-timers would be 100 per cent right, but did you ever think that what makes credit is youth? Youth is crowding the lower rungs of credit management ladder all the time and needs to have those who have gone through the mill tell them things. They can then learn without doing it the hard way, as many old-timers had to do, because of lack of interest on the part of some who, having won their spurs, felt that they owed nothing to their profession. I do mean profession, although in some quarters it may seem that credit managers are not impressing upon management that it is so. In time we shall all become less fearful of bosses and Boards of Directors, and shall wisely and firmly lead them to see that the credit manager is about as big a part of the business as it is possible for one individual to be without owning it, and we shall find that when conferences of store heads are held the advice of the credit manager will be sought.

To get to that place one will need to see that every person in the credit department gets, not only a thorough training for his or her own job, but the best all-around credit training possible, and that each is qualified when called to step into a more responsible position. That insures that if the credit manager is ever called higher, say to be the head of the business, he and all behind him will have people ready to take over the vacated jobs from top to bottom.

This article would not be complete without mention of two books that are being promoted by the National Retail Credit Association, both of which should be read by owners of business, who in turn should see that the books are made available to each person employed in their credit departments. Both books are by Dr. Clyde Wm. Phelps, Head of the Department of Economics, University of Southern California. They are *Important Steps in Retail Credit Operation*, price \$1.50, and *Retail Credit Fundamentals*, price \$5.00. ★★★

Credit Management in a Transitory Economy

R. H. Collacott, Chief, Marketing Research Staff, Standard Oil of Ohio, Cleveland, Ohio

ONE OF THE FIRST rules for discussion, particularly if some of the observations promise to be somewhat controversial, is to start, at least, from some point on which there is general agreement. That accounts for the title of this paper. When I have finished you may have doubts about how much help my remarks have been in dealing with the day-to-day problems with which you are confronted but I think we can all agree that the environment in which you are doing that work, is changing and shifting with a dismaying speed.

You are probably a close student of the growing science of credit management and you are somewhat concerned over the confusion which clouds the current economic picture and the larger frame of reference in which you carry on your work. That same concern is present today in every activity of American life, outside of the penitentiaries and the insane asylums, and may with only a slightly heightened intensity begin to worry the customers of those institutions.

Since my remarks are to deal with economic factors, I shall dismiss such items as the futile fears as to the likelihood of atomic bomb attacks. There is a field for the consideration of such matters, and preparation for them, but they do not belong here. In the field which we are considering, no one factor even begins to approach in seriousness the one of the ominous danger of inflation. Since every business magazine you pick up is laying down a barrage on that subject, and since everyone seems to be trying to educate his neighbor in the matter, I do not propose to bore you with a recital of the horrors of a runaway inflation. I do want, however, to point out some of the less well recognized aspects of it. Certainly they are less frequently discussed and yet they have a real bearing on the credit operations of such companies as are represented here.

First, there has, over any long period, always been an inflation in process. It has had many sharp and painful interruptions, but a graph plotting the value of the dollar from the establishment of this republic will show that only occasionally did the introduction of improved production techniques work to any substantial price benefit to the consumer. When the economy hit rock bottom in the Panic of 1893 the dollar had still not regained the full purchasing power it had when George Washington took office as President. The savings resulting from improved methods of manufacture and agriculture had of course gone largely into building up the capital wealth of the country but the balance had just about offset the constant decline in the value of Alexander Hamilton's dollar. This fact has of course been known to economists and to those business establishments dealing in long term credit who have come to accept the fact that they are seldom paid back in dollars as valuable as those they originally loaned.

An address given 26th Annual Conference of the American Petroleum Credit Association, Cleveland, Ohio, November 13, 1950.

I want to point out a fact which is seldom brought to light. This decline in dollar value has been retarded all through that 160 year history by the advantages of technological achievement. Let me use an example from our own industry. A recent careful study by the Ethyl Corporation shows the cost of a gallon of gasoline to have averaged 21.93 cents in 1925, and 20.17 cents in 1950. Those figures show the gasoline dollar to have been a nice dignified character determined to see that she provided good value to her master. But what was happening on the product side of that equation? You are well acquainted with the tremendous savings which have been made in every segment of this great industry. A gallon of gasoline can now be taken from Texas to New York for about one-fifth of what it costs to mail a letter. Economies of a somewhat less dramatic but even greater dollar and cents value have been made in production, refining and marketing. Why haven't these remarkable economies been reflected in price? Some people suggest that it is because the corporations are keeping it for themselves. It would be hard to think of a more irresponsible or ridiculous statement.

By the year 1900 Mr. Rockefeller had largely built up his own tremendous personal fortune as well as those of his associates and the far flung Standard Oil Empire; and the total production and sale up to that time were less than a half-year's production in this country today. The unit profit today is only a fraction of what it was formerly. Then where have these economies gone? Largely into a constantly depreciating dollar. There is no way of making accurate calculations as to what the price of a gallon of gasoline would be today if all those developments had not taken place. Old methods are discarded as soon as they are proved obsolete and no outrageously extravagant operations are preserved just for the purpose of providing statistics to support the point I am presenting here.

Retarding the Devaluation of the Dollar

All of the efforts of the chemical engineers, of the distribution experts, of the students of credit and finance, have gone to retard the devaluation of the dollar, and it has been a slightly losing battle at that. Not until very recently, however, has the man in the street given it anything which passes for thought. Today he is beginning to wonder a little bit for two reasons: one, some of his E bonds will mature in the next couple of years and he is waking up to the fact that the "four dollars for three" return is not going to buy as much as his original three dollars would when he bought the bonds, and two, the rate of decline has very sharply accelerated. The dollar has lost 42 cents of its value in ten years. And this is in the face of the most sensational technological advance in our history.

Our man in the street has not done much figuring yet but if he does he will come up with the fact that this same rate of depreciation, if continued, would carry his present 58 cent dollar down to 11 cents in three more

decades and that if such a process had been in effect since the founding of this nation, the loss in value would be the astounding one of 6,000 to one. A comparison of our federal financial management during the past ten years with almost any of the European nations having depreciated currency does not show us in a favorable light at all. We merely appear in a somewhat favorable position only because an administration indifferent to the size of the national debt, to budget paring and economy in government, to the dangers of deficit financing, and even giving open and behind the scenes encouragement to every inflationary influence, has been bled out to a great extent by a soaring industrial and agricultural production.

I submit that the trend is now more important than the fact of just where we are, and whether we are on the verge of a runaway inflation or not, a trend of 42 per cent per decade must be arrested if our type of economy is to continue. Whatever one's fears for the future are, it is time to stop asking the question: "Are we going to have inflation?" and start showing more concern over the forces which this administration has already set in motion. A continuation of the currency depreciation of the past ten years will be catastrophic.

Now I would be wasting time if I dwelt on the horrors of inflation. We all know most of the immediate effects, but I want to make a couple of points because they are seldom considered and because one of them has a real bearing on your work as credit managers. Let me first review the steps which every inflation cycle takes. Dr. Paul H. Nystrom pointed out in Boston last month that it historically has always had four stages:

- One —The pleasant stage as it has the narcotic effect of an artificially induced prosperity.
- Two —Some people get wiped out.
- Three—A lot of people get wiped out.
- Four —Crash.

Let us look at them. The pleasant stage is what we have been fostering ever since the New Deal attempted to cure the nation's ills by deficit financing. The process of mortgaging the future is so painless in its early stages and creates such a pleasant atmosphere that, like opiates, it is almost irresistible to a politically implacable administration.

The second stage where some people get wiped out is one which we have already entered. The commonest remark made concerning inflation is that it impoverishes those with fixed incomes. That is true and we all know it but who are those people? They are in the overwhelming majority, those people over 65 or widows. These people, almost without exception, have entered a period of declining economic usefulness. They are not organized as a group. They constitute only a minute fraction of the markets of the size of agriculture, industry and wage earners; and whatever social problem they represent is terminated with their death. Concern for the rights of individuals and minorities has always been one of the main characteristics of great civilizations. A ruthless disregard of the rights of defenseless minorities is likewise considered one of the early signs of deterioration. But it is politically easy. I would estimate that we are about halfway through stage two of the inflation process.

Making Valueless the Net Working Capital of Corporations

Stage three is where a lot of people get wiped out. How does that work? and how is it different from stage two? Winston Churchill pointed out in his book "The Gathering Storm" that in the hair raising experiences of Germany between World War I and Hitler's rise to power, the inflationary influence which brought about her economic collapse was not anything we have so far described but was rather the inescapable catastrophe of making valueless the net working capital of corporations. This subject would justify a discussion greatly expanded from any that I shall make but many of its features must occur to you, that with the life blood sucked out of the arteries of industry and commerce, failures or sharply reduced operations follow, jobs disappear and all the spiraling influences of disintegration lead to an inevitable collapse.

We have not seen much evidence of stage three for several reasons but surely each of you has in his own experience some knowledge of cases



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where net working capital has been fairly seriously impaired during the past several years, and this in spite of the fact that the business has apparently been operated with management as prudent as formerly. What are the reasons why the difficulty has not been more conspicuous? First, because of the high level of business activity with accompanying satisfactory corporation profits. To the extent to which a corporation has been able to sweeten these funds with undistributed earnings they have been able to hold their position in this squirrel cage economy. Those of you who deal with credit extension of this sort might wisely keep a fairly close watch on the trend of net working capital.

Velocity of Money Greatly Accelerated

The second reason why the problem has not seemed more pressing has been due directly to the efforts of men such as you. That is, the *velocity* of money has been greatly accelerated. It is obvious that if you can make one dollar do the work of two, you will need only half as many dollars to do it. Thus by cutting down on the time required for the round trip of your dollars you have reduced the amount tied up in receivables and by doing so released it for such crucial needs as inventories and the ever expanding payrolls. This has been a great accomplishment. It has been of enormous value to the corporations which you serve and to the national economy, and it has probably never had proper acknowledgment.

The third reason has been the phenomenal one of the almost instantaneous creation of mass markets for luxury goods. The merits of this development and the objections to it are too well known for comment. For the purposes of this paper I do not need to take any position on the question. That, however, will not stop me from making one or two observations. In applying the brakes to this activity recently, some government people stated that consumer credit stood at about twenty billion dollars. That I think is true but I also understand that approximately nine billion is in current charge accounts, industry single payment loans, service deposits, etc., which leaves about eleven billion as a claim on future individual earnings. Now, that eleven billion is by no means evenly distributed either as to those who have done the borrowing, or as to those industries whose sales have been souped up by the use of the time payment device.

With the slight exception of its use in the sale of apparel, it has largely been confined to the automobile and consumers' durables, lately of course largely in the electrical goods industry. That means that the effect of its sharp restriction is going to be a rather jerky dislocation rather than a nice even application of the brakes. That will present plenty of difficult problems for you. Probably just as much money will be in circulation, but your work has always been to estimate pretty accurately whose pockets it was in. Some interruptions can be pretty safely predicted as a result of those dislocations.

I think you will now all agree with me in my opening remarks that the economy is in transition. Of course it always has been. Economic factors have always been dynamic and imposed upon individuals and corporations the necessity of adjusting to them. And at any one moment, someone would get up as I am doing now, and point out that the economy was in transition. Just in case some of you feel that such an age old attitude is all

that I am rehearsing now, I want to go on and point out more of the confusing elements in the present day picture.

To begin with let us bear in mind that wars have always had a frightfully dislocating effect upon a capitalist economy. Hitler taunted that a capitalist democracy could not successfully wage a modern war. In a military sense, of course, he was wrong, but there is just enough significance to his statement to justify our consideration. What Hitler was saying, in his tactful and kindly way, was that a democracy where the people could retain the controls would never impose upon itself the degree of self denial required to compete with a nation where those controls could be imposed by the state without protest. He was also saying that the distortions of the customary money channels would eventually wreck the financial structure.

In each of these observations, if a war were to continue long enough, we must admit that he was partially right. The matter of self denial is not too important and does not need much comment. During the last war I spent considerable time in Washington as Chief of the Petroleum Products Price Section of the O.P.A. I emerged from that experience, as did my associates, with an almost complete loss of faith in the effectiveness of price controls and rationing over any long period. The matter of the money channels and the strains on the financial structure are important. The only item wrong with Hitler's calculations and the thing which eventually defeated him was America's unbelievable productive capacity.

War, and even preparation for war, is organized waste, and society as a whole is poorer for it. When the size of the whole pie is being reduced, large segments of the population come up with substantially larger pieces, it stands to reason that those dividing up the remainder must get pitifully small portions and are likely to become, as a group, an economic and social problem. Again, increased production, of not an absolute necessity, becomes highly desirable and will have a tremendous influence in keeping the economy on an even keel.

Enlargement of Productive Capacity

Now it is not going to startle you when I say that times of pressure always speed up the enlargement of productive capacity. Any nation engaged in a war, which she can keep out of her own territory, will come out of it with increased plant capacity. The war between the states was significant in many ways, not the least of which was the fact that it was the first of our modern wars, the outcome of which was determined by economic exhaustion rather than by any clear-cut military victory. The North emerged from those four years not only with expanded railroad facilities but with industrial facilities which, for the first time, put her in a position to compete with England and Europe. In the symbolic choice of guns or butter the United States has always been able, so far, to achieve military victories with a minimum reduction in the living standards of her citizens.

What is the significance of this? In an all out preparedness program, we are again confronted with a choice of guns or butter. It is, to be sure, a choice made for us by the government but there is no question as to its receiving the overwhelming endorsement of the people. That brings into focus two dangers which I should like to burn in on everyone; first, the increasing role of the

government as a generative force in the economy and, second, reliance upon arms manufacture as a vast new industry. The role of the government always becomes dominant in wartime. There is no way to avoid it. Arms and military supplies have to be purchased and used by a government. War is a government, and therefore a collective operation.

If this activity does not cut too far into the butter, the strain on the economy is not unbearable and historically the United States Government has always withdrawn from its activities with the end of the war; that is, up to World War II. For eight years previous to our last war, the Federal Government had already experimented in many roles as a generating force in the economy. The Reconstruction Finance Corporation was already in existence when Mr. Roosevelt took office. The long list of New Deal activities such as N.R.A.; the W.P.A.; the P.W.A.; etc., is probably still fresh in the minds of each of you. The great significance of these agencies was actually in this country a new philosophy of government, that of planning and controlling through political means and with taxpayers' dollars, an economy that had hitherto been powered by the dollars supplied in voluntary transactions by the customers whom it served.

World War II is thus settled comfortably on the shoulders of an administration ready to welcome this role. The dismaying feature since the end of hostilities, however, has been the reluctance to withdraw. The glories of a welfare state have been constantly extolled as justification for a great variety of government activities heretofore considered as lying within the province of private enterprise. Now we have the picture of billions being handed to a very receptive administration. To the extent that the guns program cuts into butter the dominance of the government in the economy will be increased. However, as I have pointed out several times, the productive capacity of this country has seldom been strained.

America's Capacity to Consume

Various studies have been made of America's capacity to produce but always so far as I know, in terms of existing plant capacity and, of course, in terms of current processes. It would be difficult, if not impossible, to predict where improvement in processes and enlarged plant capacity could take us. The astronomical heights of productive capacity under new conditions cannot be measured. Now it is well known that the demand for butter or civilian goods is strong and insistent. That fact has probably accounted for expansion in productive capacity during past wars fully as much as the pressure for arms manufacture. Labor saving devices, substitutes for scarce materials and improved processes, spring up like mushrooms when the demand promises to endure long enough to justify the investment they require. I believe that is what we may look for now.

To the extent that it comes to pass, it will go far to relieve the inflationary pressures, it will keep the economy on a more even keel, it will give us a somewhat better standard of living, and it will almost let us eat our cake and have it. However, that achievement, as desirable as it is, does not minimize the two dangers to which I have previously referred. During all this period the government will occupy a powerful if not dominant position as the generative force in the economy. The "DO" orders

will have precedence over civilian wants and the time will come when, if an actual war is avoided, America's defenses will have been established at any necessary maximum. Opinion may differ as to where that point will be but surely all will agree that in the absence of hostilities some such maximum will be reached. Then we are faced with the second of the dangers I have pointed out; the reliance upon arms manufacture as a vast new industry.

The dislocations brought about by the end of World War II were eased to a tremendous extent for two reasons. One, the pent up civilian demands were ready to take up where arms manufacture left off and two, the Committee for Economic Development had made advance plans in thousands upon thousands of cases so that the machinery of conversion could work with astonishing smoothness. Bank loans had been arranged in countless cases where they might be needed. Stand-by orders were given to small business by large corporations so that no time might be lost, thus avoiding lay-offs of workers and avoiding other ill-effects which long interruptions would be certain to cause.

Use of Deferred Payment Plan

Further, the unprecedented use of the deferred payment plan created mass markets for luxury goods on a scale hitherto thought impossible. The end of a preparedness program will of course be accompanied by a resumption of civilian goods buying in a few directions but, by and large, that buying will have been resumed gradually over the period. A slackening of credit restrictions will further expand markets, to some extent, but the staggering nature of the problem of what to do with plant capacity or how to adjust our economy to the discontinuance of activities which have grown to represent over twenty per cent of our national production I leave you to contemplate.

By this time you must have come to the realization that I have raised more problems than I have settled and that this paper has not provided too many lighthouses by which you might chart your course. That is true but what one of us would, a year ago, have prophesied that the "burdensome surpluses" of corn, wheat and potatoes could become the "strategic supplies" of late 1950? Who would have prophesied that the gold in Fort Knox might become a spendable commodity to restore some prosperity to far corners of the earth and at the same time give added impetus to our preparedness program? Who would have prophesied that the ebb tide of E.C.A. supplies might be engulfed by an import balance unknown to this generation?

The business of credit management must anticipate situations such as these and many more, but the old time-honored economic guideposts are certain to prove inadequate. Their inadequacy lies in the fact that individual political decisions will come increasingly to shape our environment, to the extent that they replace the more natural economic influences. As the substitutes for economic discernment become more and more dominant, your work will become more and more precarious. With each new step into the danger zone of uncertainty you will, of course, have all the qualms that go with hazardous adventure. Your fears, however, can be accompanied by the satisfaction in the knowledge that, in a real sense, you are the guardians of the good health of the corporations which you serve. ★★★

National Membership Activities

"NATIONAL MEMBERS make better local members," is a truism which should be the slogan of every credit grantor's association in North America. When considering the many benefits derived from membership in the National Retail Credit Association, the cost is so infinitesimal that every one interested in retail credit should take advantage of this "good buy." The Membership Committee is doing an excellent job and I predict that we will close the year with the largest number of new members in our history.

F. Wm. Johnson, *Chairman*
Membership Committee

Roll of Honor

Here is the roll of New National Units which have been organized since June 1, 1950:

City	Date	Number
Carrollton, Texas	Aug. 19, 1950	12
Lewisville, Texas	Aug. 19, 1950	14
Salt Spring Island, B. C., Canada	Aug. 25, 1950	11
Bainbridge, Georgia	Aug. 29, 1950	20
Merced, California	Sept. 21, 1950	69
Kimberly, B. C., Canada	Nov. 8, 1950	42
Burlingame, California	Nov. 15, 1950	26
South Gate, California	Nov. 30, 1950	14

Old Associations reporting 10 or more new members since June 1, 1950, to November 20, 1950:

District	Members
1 Springfield, Massachusetts	28
Providence, Rhode Island	13
2 Trenton, New Jersey	27
Elmira, New York	11
New York, New York	42
3 Orlando, Florida	13
Atlanta, Georgia	14
4 Johnson City, Tennessee	35
Knoxville, Tennessee	22
7 Kansas City, Missouri	37
Saint Joseph, Missouri	13
Saint Louis, Missouri	24

8 Amarillo, Texas	10
Beaumont, Texas	245
Galveston, Texas	175
Waco, Texas	40
9 Denver, Colorado	42
Pueblo, Colorado	14
Albuquerque, New Mexico	25
Salt Lake City, Utah	31
10 Calgary, Alberta, Canada	72
Edmonton, Alberta, Canada	10
Haney, B. C., Canada	24
Mission City, B. C., Canada	16
Prince Rupert, B. C., Canada	30
Vancouver, B. C., Canada	52
Moscow, Idaho	12
Butte, Montana	27
Coos Bay, Oregon	10
Portland, Oregon	42
Longview, Washington	27
Seattle, Washington	28
Spokane, Washington	27
Tacoma, Washington	10
11 Bakersfield, California	141
Los Angeles, California	33
Oakland, California	11
San Francisco, California	35
12 Washington, D. C.	44
Baltimore, Maryland	41
Philadelphia, Pennsylvania	26
Pittsburgh, Pennsylvania	93

New members reported by Districts from June 1, 1950, to November 20, 1950:

District	Members
1	63
2	111
3	77
4	98
5	40
6	66
7	101
8	552
9	127
10	523
11	390
12	238
13	17
Total	2,403

What Is the Most Important Credit Problem for 1951?

HAVE YOU EVER felt a need to discuss your retail credit problems with someone qualified to understand them? We are offering you an opportunity to share your serious credit problems in the conviction that such a sharing may lighten your individual burden.

WHAT IS the most troublesome credit problem which you expect to contend with in 1951? Send us the question and if it does not exceed 75 words in length, we will publish it in subsequent issues of *THE CREDIT WORLD*. This melting pot of annual credit problems has been regarded as the pertinent opinion of the retail credit profession in the United States and Canada for many years.

JUST MAIL your question to the National Retail Credit Association, 218 Shell Building, St. Louis 3, Mo., BEFORE DECEMBER 18, 1950. Credit organizations throughout the country will welcome your response to this invitation for open discussion at their local meetings.

Christmas Interlude

(This *Christmas Interlude* is being reprinted here through the courtesy of the Eastman Research Organization, 22 East 40th Street, New York 16, New York.—Ed.)

He was just extra help. A shabby little old man who had come onto the floor the week before Christmas and had made himself generally useful carrying packages for old ladies, telling them where to find things, and occasionally taking little tots by the hand while their mothers shopped.

Jamieson's couldn't pay him much for that, Bill thought as he watched out of the corner of his eye between customers, but the old man did it all so cheerfully and smilingly that he collected many a "Thank you, sir," and "Merry Christmas!"

Now the store was closed. The clerks were putting their counters in order. It was a drizzly, sleety Christmas Eve and the last-minute customers had been damp and bedraggled.

The little old man had put on his coat and overshoes and stood up ready to leave. He looked tired, and stooped a bit more than usual. Bill saw him look around the store and smile just a little wistfully. Probably his last day. The extra help wouldn't be needed after Christmas.

Bill acted on impulse. Brushing against the little old man on the way to the employees' exit he hastily thrust a bill in his hand and smiled a "Merry Christmas." The old man stopped and peered into Bill's eyes gravely and intently. "God bless you, Bill," he whispered and vanished into the street. Bill wondered how he knew his name.

"Extravagant, I know," he said later to Molly. "But he looked so tired and wistful and—well, he'll probably have a tougher time getting another job than I will. Anyway, it's Christmas."

"I'm glad you did, Bill," Molly had replied. "When you lose the Christmas spirit you lose everything."

"And we'll make out all right," she added cheerfully, but she bit her lip as she turned away, for she knew jobs would be scarce and the bank account very slender at the first of the year.

It had been a Merry Christmas anyway, but Bill's spirits drooped the morning after when he entered Jamieson's to begin his final week. There would be plenty of work closing up his department which the store had decided to drop. It would keep him from worrying.

A message was waiting for him at his desk. Mr. Jamieson would like to see him at once. Bill's hopes rose—but fell abruptly. The boss had been too definite in his dismissal, almost curt.

As he entered the president's office Mr. Jamieson barely glanced up as he handed him an envelope. "Read it," he commanded.

Bill opened the envelope and wonderingly read the note—

"Dear Bill," it read. "I have persuaded my son—who really took little persuasion—that Jamieson's cannot afford to lose you. A little old man who was deeply touched by your kindness and sympathy wishes you a Happy New Year." Signed, James Jamieson, Senior.

James Jamieson, *Junior*, was grinning broadly as Bill looked up.

"Dad," he said, with a warmth of affection in his voice, "comes down each Christmas week. He still loves the store and says the happiness of the Christmas shopping crowd keeps him young."

"We love to have him too, for he sees things that we miss. This for instance. You'll be head of a department next week, and I hope you'll like it. And by the way, if I was gruff a week ago I hope you'll forgive me. I hate the job of letting people go. And now, a Happy New Year!"

So there's the Christmas story, and for you a special Christmas wish—that your Christmas may be merry, and that in the year awaiting us you'll get the same breaks Bill did and deserve them just as much. ★★★

How You Can Reduce Extra Expense



Normally, good management is the answer. But if the normal routine of business is upset by a fire or another catastrophe that forces you to continue business in temporary quarters, with rented bookkeeping and calculating machines, you'll need Extra Expense insurance. A more detailed explanation of Extra Expense insurance will be mailed you on request.

THE PHOENIX-CONNECTICUT GROUP OF FIRE INSURANCE COMPANIES HARTFORD, CONNECTICUT

Combined Statement December 31, 1949

Assets - - - - -	\$128,193,440
Liabilities - - - - -	63,268,050
Surplus to policyholders - - - - -	64,569,075
Losses paid to December 31, 1949 - - -	462,311,853

★ FOR THE SMALLER BUSINESSMAN ★

Sales Promotions—Office Procedures
Credit & Collection Problems

Credit Interviewing

LAST MONTH in this credit clinic for smaller merchants we discussed the importance of obtaining a complete credit application. It is a safe bet all will agree on this, but several are sure to point out the smaller merchant often does not have adequate quarters for credit interviewing and certainly not the elaborate facilities of the big store. Then too, we are told the small merchant is likely to know the majority of credit applicants personally, while to the big store most customers are strangers. Thus, the smaller merchant is inclined to think all the material written about credit interviewing is not realistic for him. All right for the big store, unessential, and indeed impractical, for the small store. This is not entirely true and our space will be devoted to discussing the importance of a credit interview for the smaller merchant in the hope of convincing him to aim at an interview for each new credit customer.

First, retail credit nowadays is not, in the strict sense of the word, "granted." It is only for want of a better term that we still use "credit granter." Grant has the meaning of a favor, a concession, while the truth of the matter is retail credit is a customer service, given because it induces more trade, and expected as part of store service by qualified customers. We do not *grant* credit, we *recognize* that customers have the quality of potential credit.

Merchants extending credit should come to regard it as a customer service to which the worthy customer is entitled. Take credit out of the mists of personal friendship and favor, and put it where it belongs, as something to which the customer is entitled, only, however, after the customer has given evidence of responsibility.

Buying goods on credit is a normal way of living in our credit economy, and should be arranged in an open and aboveboard manner. Neither party should have any qualms about giving or receiving credit, and following the necessary procedure to establish it.

A credit interview, we maintain, is desirable to place the matter on a business foundation. Personal acquaintance alone is not a sound basis for credit. Facts and information concerning financial status and pay habits are needed.

That brings us to another argument in favor of an interview with every new customer. Sound credit granting rests on two broad bases, facts and opinions. The traditional three "C's" of retail credit, Capital, Capacity and Character are part of every credit decision. Generally speaking, the first two are established by the facts, and the third, often the most important, is gathered or deduced from the facts, as well as from the opinion of the interviewer and others.

As the interviewer sits down with the applicant, the best results are obtained when there is a meeting of minds. Rather than a question and answer affair, with the questions following each other in routine fashion, the interviewer will get the facts in an easy, conversational and unobtrusive way, at the same time "sizing up" the person. Casual side comments, mannerisms, general attitudes will often tell the shrewd credit granter much about the customer that the facts alone may not reveal. Later, when the facts are all in, and we have the report of the credit bureau, the interpretation of them is greatly helped by having this "picture" of the customer too.

Those responsible for interviewing customers for credit should strive for greater ability in this matter of forming an opinion about those they interview. They should, of course, be really interested in people, and approach the interview from the positive angle rather than the negative. The interview is a search for factors that will enable the merchant to give credit and not for reasons to say "no." That is why the interview is so important. Probably all of us have said at one time or another, when looking at a credit application, "This doesn't tell me much, wish I could talk to the person, then I'd know something."

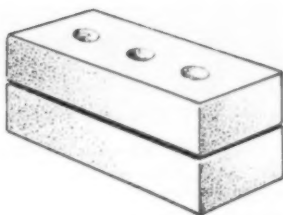
Now let us look at a few further advantages in the credit interview. It is astonishing the amount of good will for the store that can be generated in a credit interview. Here you have the customer asking for something, perhaps feeling a bit embarrassed and "touchy." The genuine friendliness and interest of a good interviewer can make the experience so pleasant that whatever dread and apprehension might have existed is replaced by the warm feeling: "This is a nice, friendly place, I'll come here often." Make every credit interview pay dividends in good public relations.

"An account well opened is half collected," is an old but sound saying. In the credit interview, tell the customer the value of prompt payment. You have a beautiful opportunity to get the idea over that credit is a sacred trust, and that it pays to guard it well. Explain how your bills are rendered, and when payment should be made.

Credit should sell more goods to more people. That is the main reason we offer it. Credit interviewers can do much in making present sales "stick" and offering suggestions and recommendations for additional purchases. They should know the store thoroughly, know the special items of merchandise being promoted, and talk about them. The sales-building influence of the interviewer is practically unlimited. Instead of the interview being a dull, lifeless routine sort of thing, make it really expressive to the customer of the store's attitude of interested and helpful service.

(Turn to "Credit Interviewing," page 27.)

"BUY A BRICK" News



First Treasurer Subscribes to Fund

Fred T. Leonard has sent us a check for \$5.00 as his contribution to the building fund. Mr. Leonard was for many years Credit Manager, Daniels and Fisher Stores, Denver, Colorado. He is a charter member of the National Retail Credit Association, was the first Treasurer, and is now an honorary life member. He is retired and lives at 4190 Grove Street, Denver, Colorado. He would be glad to hear from the old-timers.

Spokane First Again

The Spokane Retail Credit Association was the first local association to contribute to our building fund. Now the Spokane Credit Women's Breakfast Club is the first Breakfast Club to subscribe to our 'Buy a Brick' campaign. With their contribution, Maxine Andren, Secretary, said, "We of the Spokane Credit Women's Breakfast Club would like to make a small contribution toward the building fund of the N. R. C. A. offices. I am enclosing a check for \$25.00 as our contribution with best wishes for this new endeavor."

"Buy a Brick" Comments

"In the last few days I received a very unusual salutation and letter from a very persistent and persuasive individual, (Col. Blackstone) who has his office habitat in Pittsburgh, in connection with throwing bricks at President Wolfinger. I did not even know there were \$2.00 bills around, since the old family size has been taken out of circulation. However, our pay roll office said such was the case, and proceeded to fill my pay envelope with \$2.00 bills. Attached is one to be contributed to the building fund from a member of the Quarter Century Fund."—Frederick W. Walter, The Bailey Co., Cleveland, Ohio.

"The Credit Women's Breakfast Clubs of North America wish to add our contribution to the 'Buy a Brick' campaign for the new building of our good friend the National Retail Credit Association. Enclosed is our check as our contribution for Faith, Vision and Courage in the future of credit."—Francie E. Rowe, President, Credit Women's Breakfast Clubs of North America, H. Zirkin & Sons, Washington, D. C.

"I have just been reading, Mr. Wolfinger, about how successful your 'Buy a Brick' campaign is coming along. I think it is a swell idea and certainly congratulate you on putting it across so well. We would like to buy a few bricks ourselves, since credit is one of the foundations of our business. It is a pretty sturdy foundation and we have had a lot of help from credit managers in helping us build our Research Method of Account Solicitation service on it. Hence, we would like to dedicate our bricks to all those who helped us. The enclosed check for \$106.00 is to buy a brick for the credit manager of every store which has used RMAS."—A. J. Wood, President, A. J. Wood & Co., Philadelphia, Pa.

"I want to purchase fourteen bricks for the permanent home of the National Retail Credit Association. I am purchasing a brick for each year I have been a member of the N.R.C.A. I am confident that with Mr. Wolfinger as our leader, together with the excellent executive office of our national organization, 'Buy a Brick' campaign will be successful."—A. Harry Glogoff, Goldberg Department Store, Trenton, New Jersey.

"I want to compliment you, Clarence, on your fine message which appeared in the September CREDIT WORLD and for your slogan 'Be a Good Brick—Buy a Brick.' It is a wonderful idea, conceived in a wonderful brain, and broadcast by a wonderful fellow. I am proud to call you friend. Although it has now become too late for me to be one of the first to fall in line, I hope I have not been such a laggard that I am to become a straggler in the parade. Not only Lindley's devotion over the years, but also the appeal by the president deserves more than that from me. Here is the herewith to obtain a few bricks. It is sent with the warmest feelings to both you and Lindley. My kindest regards and heartiest wishes for a happy and successful administration."—L. W. Hilbert, Honorary Life Member, Glen Burnie, Md.

"It was certainly nice of you, Col. Blackstone, to remember me and let me in on the club brick throwing. Enclosed you will find my contribution to the worthy cause. I was pleased to know that you are still active as evidenced by your interesting appeal for brick subscriptions. It is indeed nice to know you are driving as hard as I will remember you did when attending our national conventions."—Fred A. Thompson, Masonic Home, Route 4, Minneapolis 20, Minn., Honorary Life Member, N.R.C.A.

"At the last meeting of our Board of Directors, we discussed your 'Buy a Brick' campaign for the proposed new office building for the N.R.C.A. It would have made you feel proud to have heard the enthusiastic endorsement of our Board to your campaign. The retail credit men of New York City welcome the opportunity to participate in this worth-while project of the National Association and hope you will accept the enclosed check for \$100.00 with our sincere and friendliest wishes for its continued success."—Philip Gleason, President, Credit Bureau of Greater New York, New York, N. Y.

"I am very glad to see this project started and sincerely hope it will materialize successfully. I appreciate the opportunity of lending my assistance to the cause and I am enclosing my check for \$25.00."—Louis Selber, Selber Brothers, Shreveport, La.

"You will find enclosed my check for \$3.00; \$2.00 is for bricks and \$1.00 for cement which is necessary to use on them. It is a grand idea for many reasons. Of all national organizations I know of none more entitled to their own home and of none who do a more constructive job for our economy at the grass roots."—L. M. Crosthwaite, R. R. 1, Box 5203, Elsinore, Calif. (Mr. Crosthwaite was, for many years, Credit Manager, Barker Brothers, Los Angeles, Calif. He is now retired. A former national director of the N.R.C.A., he is also an honorary life member and a member of the Quarter Century Club.)

"I am enclosing a check for five bricks and am only sorry that I cannot make it fifty as I feel that it is a definite privilege to be able to add these few bricks. Through the years I have been affiliated with the N.R.C.A. it has given me a great satisfaction to witness a constant growth of the Association. It has always been an inspiration to credit executives and I am proud that the organization is now taking steps to have their own home."—Mrs. Verne A. Zimmerman, Box 693, South Bend, Ind. (Mrs. Zimmerman is an honorary member of the N.R.C.A. She was Credit Manager, The Ellsworth Store, South Bend, for many years and is now retired.)

"At a meeting of the Board of Directors of the Retail Credit Association of Kansas City, Mo., they voted to send \$250.00 to the building fund of the National Retail Credit Association. As Secretary-Manager, it gives me great pleasure in sending this check to a so worth-while cause."—A. L. Dye, Retail Credit Association of Kansas City, Kansas City, Mo.

Be a Good Brick, **BUY A BRICK, TODAY!**

CREDIT WORLD 19
DECEMBER 1950

CREDIT FLASHES

Credit School at Anderson, Indiana

A credit school in retail credit fundamentals was recently completed in Anderson, Indiana, sponsored by the Anderson Retail Credit Association. Five classes were held at the Y.M.C.A. covering the text and reference book *Retail Credit Fundamentals*, by Dr. Clyde Wm. Phelps. Instruction was capably handled by G. C. Klippel, Credit Manager, Van Camp Hardware Co., Indianapolis, Ind., for over 30 years. Mr. Klippel is well known in the credit profession and has taught credit classes at Butler University for ten years. Representatives from the local high school and college also enrolled and attended. The enrollment in the credit school included 69 employees of local firms. A copy of Dr. Phelps' book was presented to the local Public Library from the Association. Members of the credit school committee included: Floyd Dunn, American Security; Goldie McFarland, Liberal Furniture Store; and John W. Nottingham, Anderson Credit Bureau.

Tacoma Retail Credit Association Expands

The Fuel Dealers Credit Association, Tacoma, Washington, has notified the Credit Bureau of its acceptance of the invitation to become a division of the Tacoma Retail Credit Association. A plan of this nature is the most efficient means of providing fuel dealers with the maximum protection at the least cost.

Open House at Cleveland

The Cleveland Retail Credit Mens Company (Credit Bureau of Cleveland), Cleveland, Ohio, held their 1950 open house October 25 with over four hundred members and employees in attendance. Conducted tours, refreshments, flowers and sociability, plus inspiration conveyed to the staff, were the highlights of the day. The guests were intrigued by the Bureau's tremendous file record which contains over three million records of paying habits of residents of Cleveland. Shown below are three pioneers of the Bureau, left to right: W. H. Gray, Manager for 34 years; Samuel H. Halle, Chairman of the Board, Halle Bros. Co., who was one of the founders of the organization; and Jay Iglauer, Vice-President and Treasurer, Halle Bros., who also devoted a great deal of time to the Bureau in its early years. The affair was a tremendous success and the bureau is more convinced than ever that this is an extremely worth-while effort.



Coming District Meetings

District Two (New York and New Jersey) and **District Twelve** (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will hold a joint annual meeting at Hotel New Yorker, New York, N. Y., February 11, 12 and 13, 1951. Members of **District One** (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Quebec, Canada, and Nova Scotia, Canada) are also invited to attend this meeting.

District Three (Florida, Georgia, North Carolina and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi and Tennessee) will hold a joint annual meeting in Chattanooga, Tennessee, April 8, 9, 10 and 11, 1951.

District Five (Ohio, Michigan, Ontario, Canada, and Kentucky) and **District Thirteen** (Illinois, Indiana, and Wisconsin, except Superior) will hold a joint annual meeting in conjunction with the 37th Annual International Consumer Credit Conference of the N.R.C.A. at the Stevens Hotel, Chicago, Illinois, June 25, 26, 27 and 28, 1951.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin and Manitoba, Canada) will hold its annual meeting in Davenport, Iowa, February 18, 19 and 20, 1951.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Mayo Hotel, Tulsa, Oklahoma, March 11, 12 and 13, 1951.

District Eight (Texas) will hold its annual meeting in Galveston, Texas, May 20, 21 and 22, 1951.

District Nine (Colorado, New Mexico, Utah and Wyoming) will hold its annual meeting at the Plains Hotel, Cheyenne, Wyoming, May 6, 7 and 8, 1951.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Alberta, British Columbia and Saskatchewan, Canada) will hold its annual meeting at the Multnomah Hotel, Portland, Oregon, May 19, 20, 21 and 22, 1951.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting in Los Angeles, California, April 22, 23 and 24, 1951.

New Honors for Malcolm Brock

Malcolm Brock, President, Brock's Department Store, Bakersfield, Calif., was elected President of the California Retailers' Association at a convention held recently in Los Angeles, Calif. He had been a director of the Association and active in its affairs for many years. In addition his store recently celebrated its 50th anniversary in business in Bakersfield. He has long taken an active part in local civic and business affairs and was one of the organizers of the Merchants Association of Bakersfield in 1923 along with David E. Urner, Ralph Smith, James McMahan, and Herbert P. Sears, who is now Secretary-Treasurer. He was president of the Association for 21 years and is now a director.

Leo S. Gilbert

LEO S. GILBERT, 56, executive director of the Greater Atlanta Community Chest, Atlanta, Georgia, died at his home after an illness of several months, October 14. For a number of years he had been a leading figure in the business, social and community life at Atlanta. He was formerly secretary of the Atlanta Retail Credit Company, and at the time of his death was president of the Credit Bureau of Atlanta, which he actively managed until February 1, 1950.

At that time he accepted the appointment as executive director of the Community Chest. He was a member of Covenant Presbyterian Church, a past president of the Kiwanis Club, a Mason, a member of the Shrine, the Atlanta Chamber of Commerce and the Druid Hills Country Club. During World War I he served as First Lieutenant in the 352nd Infantry. He was a member of the American Legion.

Mr. Gilbert was past president of the Associated Credit Bureaus of America and of the Southeast and Georgia Credit Bureaus. For many years he was secretary-treasurer of the Atlanta Retail Credit Association. He appeared on several of the annual conference programs of the National Retail Credit Association and was a regular and loyal attendant at these meetings.

Surviving him are his wife, three sons, three sisters, and a brother to whom we extend our deepest sympathy. "Gilly" as he was affectionately known to thousands of bureau managers and credit executives throughout North America will be greatly missed by the credit fraternity.

Activities at Mason City, Iowa

The Retail Credit Association, Mason City, Iowa, has been quite active recently. A credit school is being planned for the near future and a membership drive will be held during January and February. Shown in the picture below are the officers and directors who were recently elected. Front row, left to right: Alfrieda Engle, St. Clair-Starks, Director; John Lambert, Sears & Roebuck, President; and Alice Jean Poshusta, Younkers Inc., Director. Back row, left to right: H. G. Phillips, Hart Motors, Vice-President; Hazel Zion, Damons Inc., Director; Bill Werner, United Home Bank, Treasurer; and Gaylord Turvold, *Globe Gazette*, Secretary.



Be a Good Brick, **BUY A BRICK, TODAY!**

Credit and Collections in 1951-52

Collections are slowing down, living costs and taxes are going up, wages and ability to pay cannot keep abreast, so, as a credit granter, what are you going to do about it? You, as an individual, can do little about our national economy embracing inflation, except possibly at the polls, although you can talk and live economy which might help some. It is obvious that our all-out national war effort, of preparedness at least, will utilize a large percentage of critical materials including steel, rubber, copper, lead, aluminum, chemicals, etc., which will naturally reduce the manufacture of automobiles, electrical appliances, radios, television sets, and many other volume items. There will be less lumber and building materials for construction and a smaller amount of garment and leather materials for civilian clothing and wearing apparel.

With the increasing manufacturing of war materials, man power will be shifted to points where it is needed most, which will also present other problems effecting living conditions. While there should be full employment over the next year or so and record-breaking earnings, yet this income will be drained off by higher and higher taxes and soaring living costs. In the end, the wage earner, who is the big national spender and buyer of consumer goods, will find it even harder to make both ends meet which again presents an additional problem to those entrusted in maintaining safe and sane credits.

Summarizing the situation, I believe that credit granter in general, with their experience and adaptability in meeting trying situations, will come through as usual, with a satisfactory collection percentage with or without regulations. There is a thought, which is an old one, however, that I would like to stress and keep uppermost in the minds of all those engaged in any way with credit extension and that is, we must have and maintain a correct and proper credit policy and procedure. Opening the account properly in the beginning, securing a full credit report from the local credit bureau on which to base the final opinion, stress terms, collect closely, send out statements promptly and work hard on past-due accounts, is generally considered a sound credit policy. The application of safe credit fundamentals was good yesterday, is good today and will be good tomorrow.—V. A. Rogerson, *Manager*, Credit Bureau of Clarksburg, Clarksburg, West Virginia.

Order Stickers Now

Due to the increased cost of printing, it is necessary that we increase the price of our inserts and stickers to our members. After January 1, 1951, therefore, the price of inserts and stickers will be increased from \$2.50 to \$3.00 per thousand, and assorted from \$3.00 to \$3.50 per thousand. Anticipate your requirements for the next 90 days and get your order in to us this month. Anything delivered in December will be charged at the old price.

LEONARD BERRY

PROBABLY the most used word in the business vocabulary is LETTER. There is a fascinating history of this word in a new book, *Word Origins and Their Romantic Stories*, written by that master lexicographer, Wilfred J. Funk, Litt. D. It seems that LETTER had an original meaning far different from the generally accepted connotation of today. It came into the language from the Latin word, *littera*, meaning LETTER, and is probably akin to *linere*, meaning "to smear." The connection is readily apparent when we reflect that most LETTERS in olden days were "smeared" on parchment. The plural of *littera* means an epistle. Thus when you put a lot of words together, you have written a letter. The words, Literary, Literate, and Illiterate, obviously come from the same root.

Now, of course, the last thing we want our business letters to do is to "smear," especially in the sense that the word has come to possess these days. On the contrary, our letters should be ambassadors of good will, stimulating pleasant reactions toward our firm. Perhaps this sharp difference between the old and the new meanings of LETTER will help us to keep in mind the fact that business letters offer splendid opportunities for creating and enriching customer friendship.

The modern manager of credit sales, no matter whether employed by a large department store, small specialty shop, or if handling credits in his own establishment, is conscious of his greater role of good will builder. The higher possibilities of credit management are more fully realized when programs of customer communication to win new friends for the store, and hold present patrons more securely, are devised.

Excellence of merchandise is essential to winning customer allegiance, but surely courteous service, plus interested attitudes, are powerful allies. The Credit Service department has available numerous opportunities to be "nice" to customers, and by unexpected friendly acts make them almost unbelievably loyal.

Many stores and business firms have long followed the pleasant practice of using the holiday season as an appropriate time to tell customers of pleasure and appreciation for steady patronage. Surely no better time could be chosen for such expressions. The beginning of a new year is a natural dividing line in the passage of time, and exchange of Christmas greetings a universal and delightful custom.

Stores are more than mere places where goods may be bought. To steady customers, stores take on distinct personalities. Regular patrons evidence an almost proprietary interest and are tremendously gratified by gestures of consideration and thoughtfulness. Those credit executives who have not fully considered the promotional possibilities inherent in "thank-you letter that make friends" are missing a real opportunity.

A small investment in a sincere letter of thanks and appreciation often produces enormous returns in sustained and increased purchases. Success in retailing is a matter of finding the right key to affections of customers. Buying impulses come from the heart as well as from the head. Goods are sold on friendship as well as on value.

There are a few points in connection with the "thank you" letter that will ensure better results. The letter should be entirely devoted to expression of appreciation for past friendship, and pledge of continued thoughtful service in the future. Nothing more completely nullifies its beneficial effect than permitting a specific sales or merchandise message to "ride along."

While of necessity the letter will often be a form, that is, mass produced with name and address filled in, every care must be taken to create an appearance of individuality. Greetings, seemingly from the assembly line, get small attention. Expert processing of the letter, extreme care with the fill-in and other workmanship details will help in gaining customer acceptance.

Accuracy as to name and address is of first importance. Misspelled names or faulty addresses make customers feel that the letter is only one of many. Do not strive for a masterpiece of prose. A simple and sincere message will find greater favor than flowery language and strained sentiment. Finally, the letter should be brief. Customers do not have much time in the busy holiday season to read long letters.

This Month's Illustrations ➡

Illustration No. 1. Francie E. Rowe, Credit Manager, Zirkin's, Washington, D. C., mails this splendid letter about the middle of December. Customers cannot help but feel more friendly to a store so thoughtful.

Illustration No. 2. While this is not a purely seasonal letter it is a good example of a "thank you" follow up. W. F. Kerby, Sales Manager, Capital Coal Company, Ltd., Winnipeg, Manitoba, Canada, tells of many favorable comments from pleased customers receiving this.

Illustration No. 3. Gimbel Brothers, Milwaukee, Wisconsin, send Christmas greetings in miniature size, 4½" by 6", to fit into statement envelopes. A. C. Wehl, Manager, Department of accounts, counts them invaluable in building good will.

Illustration No. 4. Not only stores but credit bureaus send seasonal greetings. We are proud to have the privilege of reproducing this splendid example used by M. V. Trammell, Merchants Credit Association, Birmingham, Alabama.

Merry Christmas and Happy New Year to All!

Pirkin
COATS FURS DRESSES
2100 14th Street, Washington

①

December 15, 1950

Mrs. John M. Doe
1234 State Avenue, N.W.
Washington, D. C.

Dear Mrs. Doe:

At this season our friends seem unusually dear to us, and we wish to express our appreciation for the patronage favored us during the past months.

We trust you will continue to use your account, and sincerely hope we may serve you frequently. Whenever there is any service we may extend, please call on us. We want to do everything possible to make your shopping during 1951 a pleasure.

A merry Christmas and much happiness in the New Year!

Sincerely yours

H. KINKEAD & SONS, INC.

H. K. Kinkead
P. M. Kinkead
Credit Manager

C. W. KILGUS, President

W. F. BERRY, Sales Manager

A. M. WILSON, Treasurer

CAPITAL COAL COMPANY Limited

WHOLESALE AND RETAIL
1st Somerset Building, Portage at Donald • Phone 27-222
WINNIPEG, Canada

October 16th, 1950.

②

Mr. J. Wilson,
237 Johnston Ave.,
Winnipeg, Manitoba.

Dear Mr. Wilson:

One of the greatest pleasures we enjoy in business is the making of new friends.

And so I want to thank you for the order for fuel which you placed with us the other day.

I sincerely hope you found the fuel entirely satisfactory and our service all that you could ask for. I am really sincere about this, because just naturally we want you to feel we are worthy of your continued patronage.

We will be very happy to have you call on us again when you need fuel and will do everything in our power to serve you in a friendly and personal way.

Cordially yours,

W. F. Berry
Sales Manager
CAPITAL COAL CO., LTD.

AGENTS FOR "Therm-A-Saving" COAL HEATERS

Merchants Credit Association
Birmingham, Alabama

④

Merry Christmas

This Christmas let us give thanks for the many blessings bestowed on us here in America—Freedom of Worship, of Speech, of the Press, of the Ballot, of Education and Freedom of Enterprise.

As we pay homage to the birth of Christ, in our homes and churches, let us so value these privileges that we may ever be on the alert to defend our freedoms.

Let us by our actions and deeds show appreciation for these freedoms, to our fellow men, through Friendship, Courtesy, and Goodwill.

The entire staff of M. C. A. joins with me in expressing our gratitude to you and your associates for the pleasant relations we've experienced, and to pass in the days' activity to wish you a Merry Christmas and the best of Health and Success in the coming year.

Cordially yours,

MERCHANTS CREDIT ASSOCIATION

W. H. J. J. J.
GENERAL MANAGER



GREETINGS

③

Dear Customer:

It's mighty easy these days ... in the bustle of business life ... to forget the old-time relationship between a business and its customers.

For 364 days in the year our everyday conversation concerns selling and serving.

But today ... as Christmas approaches ... we want to convey a different kind of message - one that carries a hearty human handclasp of good wishes.

We want this little letter to express our deep appreciation to our good friends, both old and new, for their friendly attitude, patronage and loyalty. It has made possible our steady progress and success for over a century.

As an expression, therefore, of our genuine appreciation of your good will, we extend to you our most sincere wishes for A Merry Christmas and a Happy New Year.

Cordially yours,

GIBBEL BROTHERS
A. C. Wabl
A. C. Wabl, Manager
Department of Accounts

Be a Good Brick, **BUY A BRICK, TODAY!**

CREDIT WORLD
DECEMBER 1950

23

Collection Scoreboard

Compiled by the Research Division

October, 1950

October, 1949

CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1950			1949			1950			1949			1950			1949			1950			1949		
	AV	HI	LO	AV	HI	LO	AV	HI	LO	AV	HI	LO	AV	HI	LO	AV	HI	LO	AV	HI	LO	AV	HI	LO
Atlanta Ga	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore Md	46.5	50.3	43.0	47.4	52.5	43.6	18.7	27.4	16.1	20.3	26.2	17.0	42.0	49.3	33.7	44.0	49.6	38.4	44.8	51.3	38.4	40.1	41.4	38.7
Birmingham Ala	49.7	60.3	43.0	49.5	59.7	40.0	19.0	26.7	15.0	20.4	27.8	16.0	47.9	57.3	37.5	42.4	50.2	35.1	52.2	58.9	49.0	53.0	57.0	49.9
Boston Mass	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cedar Rapids Ia	58.1	61.0	55.3	60.5	64.6	56.5	16.9	17.9	16.0	22.5	26.1	18.9	—	80.0	—	—	84.6	—	73.0	74.7	71.3	72.2	76.6	67.9
Cincinnati Ohio	55.7	61.5	50.4	58.1	63.7	53.8	15.4	21.7	10.8	16.3	21.2	11.4	58.8	66.2	51.5	59.7	64.4	55.0	45.9	55.5	36.3	45.1	56.2	34.0
Cleveland Ohio	50.3	54.7	42.0	52.0	58.6	48.3	23.3	28.3	20.5	25.7	27.8	18.4	37.3	41.1	33.6	34.9	41.5	28.4	67.6	95.1	40.2	68.7	92.0	45.9
Columbus Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Davenport Ia	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denver Colo	50.4	57.4	42.0	52.5	68.2	45.5	22.1	24.4	17.3	21.3	25.7	15.9	52.1	57.4	46.8	53.1	57.2	49.0	—	—	—	—	—	—
Des Moines Ia	—	—	—	52.1	—	—	—	—	—	—	—	—	56.3	64.5	51.8	60.7	68.5	54.5	52.7	56.0	49.4	56.1	60.7	51.4
Detroit Mich	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Grand Rapids Mich	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kansas City Mo	59.3	61.4	52.2	59.9	61.3	58.6	13.7	19.1	11.1	16.7	19.7	13.6	56.0	67.4	58.0	61.0	65.7	55.2	—	—	—	—	—	—
Little Rock Ark	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Los Angeles Calif	58.7	66.3	49.4	59.2	62.1	61.5	15.8	15.9	15.4	19.9	22.5	16.5	54.1	61.0	47.2	56.3	62.6	50.1	52.0	69.7	47.0	56.0	63.7	45.0
Louisville Ky	48.8	50.4	47.1	49.9	51.0	48.8	14.5	17.8	10.7	18.0	21.2	13.0	42.0	45.5	37.0	44.7	52.5	38.0	45.9	50.6	40.4	49.7	59.1	42.0
Lynn Mass	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Milwaukee Wis	52.3	57.9	51.9	62.0	62.3	52.8	16.2	16.2	16.2	16.6	17.3	16.0	53.9	61.8	46.0	52.4	59.8	45.0	63.2	78.8	50.3	60.3	67.6	45.8
Minneapolis Minn	59.0	66.5	54.4	63.7	69.5	57.5	20.7	23.7	21.1	24.1	24.6	23.7	50.9	61.8	40.0	53.5	62.9	44.0	62.2	82.1	49.3	62.2	75.1	51.1
New Orleans La	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New York N Y	51.1	54.0	38.7	49.8	55.4	43.1	18.7	22.1	16.2	19.7	24.6	18.3	51.8	53.1	47.4	49.6	53.1	44.8	54.2	54.8	53.7	54.1	59.7	48.6
Oakland Calif	58.5	61.9	50.9	61.6	66.1	47.6	16.7	29.6	13.5	18.0	21.5	9.7	56.7	57.0	56.3	57.9	61.2	54.6	58.2	65.5	51.0	54.2	60.3	48.1
Omaha Neb	60.7	69.4	52.1	64.0	72.0	56.0	—	21.0	—	—	21.7	—	54.7	56.8	51.4	55.5	60.7	49.3	58.0	61.3	54.8	59.3	62.8	56.0
Pittsburgh Pa	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Providence R I	51.0	55.6	46.0	55.0	49.0	44.4	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
St Louis Mo	56.4	58.9	55.2	57.2	60.4	55.1	18.3	21.4	16.4	20.7	23.8	17.3	45.9	48.9	42.9	48.5	53.8	43.3	49.4	54.4	45.8	47.4	53.1	48.8
Salt Lake City Utah	62.3	69.5	56.1	66.6	75.4	59.5	19.2	23.4	15.1	23.8	24.7	22.4	—	—	—	—	—	—	51.3	53.5	49.1	52.5	53.4	51.6
San Francisco Calif	54.8	63.9	47.0	56.2	65.7	48.1	24.1	25.8	19.8	24.4	25.1	23.4	47.0	50.7	41.4	42.3	54.3	41.0	49.8	51.6	47.1	48.7	51.9	47.8
Santa Barbara Calif	63.3	70.7	57.9	59.2	67.3	53.0	—	—	—	—	—	—	58.7	61.3	57.1	60.1	68.3	48.4	64.7	70.0	61.1	62.6	68.2	54.8
Sioux City Ia	—	57.1	—	—	58.9	—	—	12.3	—	—	21.1	—	55.7	59.5	52.0	56.0	61.0	51.0	58.8	70.9	46.8	63.3	71.6	55.9
Spokane Wash	57.6	58.0	57.2	51.0	55.0	47.0	15.1	15.3	15.0	15.4	15.9	15.0	—	—	—	—	—	—	—	—	—	—	—	—
Springfield Mass	59.7	61.9	57.4	59.8	62.1	57.4	22.1	23.3	20.9	21.8	23.0	20.5	—	57.9	—	—	56.8	—	—	—	—	—	—	—
Toledo Ohio	51.0	52.0	42.9	52.1	58.0	46.9	17.4	20.3	16.2	19.4	26.0	15.5	62.6	67.3	55.0	55.5	63.3	55.0	47.5	50.0	45.0	47.0	51.9	42.4
Tulsa Okla	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington D C	49.0	55.4	46.8	48.5	54.4	42.7	19.4	25.8	15.8	20.5	26.3	15.5	—	—	—	—	—	—	—	—	—	—	—	—
Worcester Mass	52.2	56.1	48.3	52.8	58.0	47.7	25.1	27.0	23.2	27.3	31.0	23.6	51.9	56.8	47.0	51.2	54.4	48.0	—	—	—	—	—	—
Youngstown Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa Ont	49.0	52.7	33.0	46.6	51.0	37.9	19.0	29.1	13.0	22.9	40.0	15.6	—	—	—	—	—	—	—	—	—	—	—	—
Vancouver B C	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Victoria B C	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

INSTALLMENT ACCOUNTS receivable at department stores, which usually show some expansion in September, increased 6 per cent during the month this year and were 56 per cent larger than a year earlier. Collections on installment accounts were up 8 per cent in September and amounted to about 18 per cent of accounts outstanding on the first of the month. This was the same collection rate as in August but a little below that for September 1949. At this rate of repayment installment accounts would be liquidated, on the average, in approximately 10 months. Charge accounts outstanding at the end of September were 9 per cent larger than in the preceding month and 15 per cent above

those of a year earlier. Collections on these accounts rose 5 per cent during the month and the ratio of collections during the month to accounts receivable on September 1 was 51 per cent, 1 point higher than in August. Department store sales of all types increased in September. Cash sales rose 11 per cent during the month, while installment and charge-account sales were up 5 per cent and 14 per cent, respectively. Credit sales continued in considerably larger volume than in the corresponding period of 1949 while cash transactions showed only moderate gains over the year-period. —Federal Reserve Board.

Business Conditions and Outlook

General Business Conditions

THE RATE OF business activity is still upward, but the gains in recent weeks have been but little more than the usual seasonal increase. The volume of trade and industry is at a postwar peak, which is almost 25 per cent higher than it was a year ago. The expansion in trade and in production has been quite general among nearly all the major industries and in most sections of the country. In a few lines there has been some slowing down, but the outlook is for a continuation of the present high level throughout the remainder of this year and probably longer.

The total volume of business transactions, which includes sales, production, and financing is higher because of a combination of higher prices and increased quantities of goods. To some extent it reflects the influence of the strong inflationary forces which are pushing everything upward, although not all the gains can be considered as representing basic or permanent improvement. Many businesses are finding that their costs are going up more rapidly than their incomes, and this trend is one of the factors in the current situation which suggests caution as to the future.

The most striking feature of the La Salle Map this month continues to be the excellent showing being made in the industrial regions as compared with most of the agricultural areas. Farm income has risen, but the effect of it on business conditions in the farming districts has been much less than the stimulus which consumer buying and increased Governmental expenditures have provided for business activity in most other parts of the country.

Business activity has been lagging slightly behind the national average in the New England states and in the northern half of the Middle West. Another similar area is in the south central section, where the effects of the current boom have been, scarcely noticeable. In other parts of the South, however, conditions are more favorable, and the outlook is for further improvement.

Greatest gains have been made in the industrial region around the Great Lakes, although part of this relatively more favorable showing is due to the fact that a year ago business there was partly curtailed by the steel strike. At present the steel industry is operating at full capacity, automobile production is extremely high, and operations in most manufacturing plants are up close to the maximum. Activity is also higher in the Southwest, especially in Texas, and the upward trend there shows no significant signs of slackening.

Along the entire Pacific Coast business activity has been maintained at a level considerably above the national average. Military activity and large shipments of supplies for war purposes account for much of this improvement. Some falling off might take place if war demands were to become less urgent and extensive, although many other stimulating influences will help support a high level of activity there.

Through most of Canada business has been showing moderate gains over last year, but the increases have been somewhat smaller than in the United States. Part of this difference is due to the fact that activity in Canada did not decline nearly so much last year as it did in the United States. Industrial production is rising, however, and the demand for goods by both domestic consumers and foreign buyers is very large. The outlook is for stable conditions with the trend slightly upward during the remainder of this year.—*Business Bulletin*, La Salle Extension University, Chicago, Ill.

Consumer Credit

CONSUMER INSTALMENT credit outstanding rose 322 million dollars in September to a total of 13,329 million at the month-end. The advance reflected increases in automobile sale credit, other sale credit, and instalment loan balances. During the three months July through September total instalment credit increased by 1,224 million dollars compared with 776 million in the corresponding period of 1949. The September increase in consumer instalment credit, although smaller

than that in immediately preceding months of unprecedented sales of durable goods, was about one-sixth greater than the increase of 277 million in September 1949. Each major category of instalment credit increased more in September 1950 than in the preceding September. The outstanding amount of other major types of consumer short-term credit also increased in September 1950. Charge accounts rose 101 million dollars compared with 39 million in September 1949.—Federal Reserve Board.

Retail Furniture Report

THE VOLUME of total sales at retail furniture stores during September was about the same as in the preceding month but 29 per cent higher than a year earlier. Declines occurred in both cash and charge-account sales during September but these were offset by a further rise in instalment sales. Sales of all types were considerably larger than in the corresponding month of 1949, the increases ranging from 21 per cent for cash sales to 38 per cent for charge-account transactions. Outstanding indebtedness on instalment accounts rose 3 per cent during September and at the end of the month was 28 per cent larger than on the corresponding date a year earlier. Collections on instalment accounts in September kept pace with the increase in outstanding balances and the collection ratio remained at 11 per cent. Inventories during September were built up 7 per cent and at the end of the month were 25 per cent larger than those carried a year earlier. At the current rate of sale, stock on hand represents a four months' supply, the same as in September 1949.—Federal Reserve Board.

Consumer Instalment Loans

CONSUMER INSTALMENT loan balances of the principal types of lending institutions reached an estimated 4,493 million dollars at the end of September, 2 per cent more than a month earlier. The rate of expansion slackened somewhat during the month for each group of lenders, particularly small loan companies. On September 30, the total amount outstanding was 26 per cent larger than on the corresponding date of 1949. Loan volume was down 9 per cent from August to September, reflecting decreases in extensions for each type of lending agency. The monthly volume continued substantially higher than for a year earlier.—Federal Reserve Board.

Retail Instalment Credit at Furniture and Household Appliance Stores

INSTALMENT ACCOUNTS outstanding at retail furniture stores in September increased for the seventh consecutive month. Instalment accounts receivable at household appliance stores rose further during the month but at a less rapid rate than in August. The growth in instalment indebtedness at these outlets continued to be faster than that reported by furniture stores. For the year ending September 30, instalment accounts outstanding had increased more than one-half at household appliance stores compared with almost one-third at furniture stores. Collections on both furniture and household appliance store instalment accounts continued to be made at about the same rate as in the two preceding months. Instalment accounts at household appliance stores were being liquidated more slowly than in September 1949.—Federal Reserve Board.

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CREDIT WORLD
DECEMBER 1950

25

Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

Your Credit and You

CARL B. FLEMINGTON, *President, Associated Credit Bureaus of Canada*

ONE OF THE most valuable assets in any business is the ability to obtain credit privileges if and when desired. This does not refer only to the possibility of being extended credit but also to the act of offering credit terms to customers. To possess a good credit record with suppliers, it is necessary that there be prompt payment of obligations and in order to extend credit wisely in turn to your customers, the privilege should be confined only to those willing and able to pay.

Prompt payment is of course dependent upon being financially able, which in turn is a question of sufficient working capital. If this capital includes a substantial amount of slow paying accounts, difficulty in financing will be experienced. One of the principal causes of bankruptcy is "insufficient capital." It is mainly, however, the failure to trade within the bounds of available capital.

One of the best ways of increasing working capital is through the granting of credit from suppliers and it has proved more advantageous to have several large creditors who, naturally, have an interest in the business than a greater number of small credits. If temporary difficulties are encountered, it is much easier to obtain assistance and cooperation from the few.

Good credit is primarily based on confidence and the honouring of a promise given plays a vital part. If payment cannot be made when due, the circumstances should be so explained and any promise given strictly

adhered to. If conditions are such that this proves impossible, a partial payment together with the reasons for non-fulfillment will be of material aid in soliciting continued cooperation.

Credit is granted for the sole purpose of obtaining business to a greater volume than could be transacted on a cash basis. If it is to justify the risk entailed and the capital invested the additional net profit should be in proportion. In order that this may be accomplished, customers must be selected whose manner of payment will not result in excessive collection expense and bad debt losses.

"Good Credit" in so far as your own customers are concerned requires a screening of the risks and there is considerable truth in the saying, "An account intelligently opened is half collected." It should also be kept in mind that "An account well collected is always open." Delinquency not only means the loss of working capital to the extent of the amount outstanding, but also a curtailment in business, as the tendency on the part of a debtor whose accounts are in arrears is to apply elsewhere for credit or to divert his cash dealings to similar ends.

Credit to the consumer is in two main categories, namely, "Charge account" and "Instalment." The former is a convenience and a service to the customer and to the dealer an advertising medium and business builder. Customers of this type become identified with specific firms and are more likely to concentrate their purchases. A dealer with a large number of satisfied credit customers who pay as agreed has a worth-while asset indeed.

There must be a continuity of buying on a charge account in order that it be of real value to the store. If it merely is a case of a comparatively small transaction such as a repair job, credit has no place, except as a last resort. Every possible effort should be made to confine such transactions to a cash basis.

In the case of a large contract on which credit terms are granted there should be a definite understanding as to the method of payment as well as to the financial responsibility and authority of the person entering into the contract. A promise that cash will be paid on completion provides no definite assurance that such will be the case. The ordering or supplying of goods by a person minus authority or without the knowledge of the principal may result in rather unprofitable complications.

The reputation gained for the care of obligations is the best criterion as to the desirability or otherwise of a consumer credit risk. To rely on given references is often misleading and does not convey the full circumstances. A person may have ten accounts, eight of which are unsatisfactory, while two have been attended to in good form. You may rest assured that only the accounts in the latter category will be mentioned if references are requested. The only way in which complete details can

Christmas Greetings

On a night long ago, the sky filled with glory, Angels sang of Peace on Earth—Goodwill towards Men. Now, after nearly two thousand years, the song still comes to listening ears. It comes to peoples seeking to fashion a happier world and finding for it no better pattern than the Brotherhood of Man, envisioned by the Christ Child born in the Manger of Bethlehem that Holy Night. This is the message the Yuletide of 1950 brings to a troubled world. It touches us with magic and once again we become children at heart, recapturing the enrichment, enchantment, mystery and wonder of Christmas.

On behalf of all credit bureaus in Canada it is a distinct pleasure and privilege to wish you all a Very Merry Christmas and a Happy New Year. We have enjoyed and benefited from our associations with your credit bureaus and personnel across the great United States of America. Each year has served to strengthen the ties between us as we endeavour to meet our common problems. The dividing line between our two countries appears more and more imaginary as we work together and understand one another better.

"Credit Interviewing"

(Beginning on page 18.)

It is true that in a small store the credit interviewer is closer to sales than in a large store, but even so, there is sometimes a tendency to acquire an "office" complex. Everyone employed in the store, in any capacity is chiefly there to sell, or assist in the sale of goods. In the zeal to accomplish the business part of the transaction, let none forget that selling goods is the real and generally the only reason for the existence of the store.

This sales attitude should be part of the technique of credit interviewers, and some time spent actually on the sales floor is good insurance the credit interview will be also conducted in a sales atmosphere.

Next month we shall look into the details of investigating the credit application, and how to arrive at a "yes" or "no" answer. ★★★

be obtained is through the medium of a credit bureau where information is built by its various members for the benefit and guidance of all. If a person has a number of satisfactory accounts with various classifications of business, the chances are that the risk is good but if the applicant is already obligated in several directions and has established an unsatisfactory payment record, the contrary will apply. A substantial percentage of your past-due accounts will be for small amounts and the expense in collecting may quite easily be out of all reasonable proportion if not undertaken promptly and systematically.

The telephone is the best collection medium, as it affords an opportunity of obtaining a definite promise which if not kept enables a speedy follow-up at a minimum of expense. Personal calls are of extreme value, but the cost is relatively high unless they can be made in conjunction with other business activity. When an account reaches this stage the payment of a commission to a recognized collection agency will prove a good investment.

The Instalment or Deferred Payment Plan will be of increasing need to the customer and of value to the dealer. Unless you are experiencing a large business volume, have adequate capital and a well-equipped and staffed collection department, you may find it advantageous to deal with a reliable finance company. Such companies are anxious to serve the merchant and if certain contracts are refused by them for credit reasons, caution should be exercised before deciding to finance the transaction independently. The larger the down payment the smaller the chance of loss will be and every possible effort should be made to secure a substantial sum even in advance of that required by Government Regulations. This ensures a customer equity in respect to which a much greater interest will be manifest on the part of the purchaser in providing satisfactory settlement of obligations.

Canada is experiencing a period of keen competition in all lines of business and the term, "survival of the fittest" again applies. This will necessitate the utmost in efficiency and economy in all phases of retail operation and credit will play an important role. It will be readily admitted that credit has both uses and abuses and whether it becomes an asset or a liability depends upon the manner in which it is controlled. ★★★

The

Blue Book of CREDIT DEPARTMENT LETTERS

This 48 page booklet has just been prepared by the Educational Department of the National Retail Credit Association to meet the needs of the busy retail credit granter. It is completely new and offers you a model letter for almost every conceivable letter writing situation that can arise in the credit department.

There are five divisions of the booklet:

1. Credit Sales Promotion Letters.
2. Acceptance and Declination of Credit Application Letters.
3. Collection Forms and Letters.
4. Adjustment Letters.
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In addition there are ten pages of commentary on specific correspondence matters. Each letter is written for a special purpose. Indexed for instant reference.

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CREDIT WORLD 27
DECEMBER 1950



Credit Customers—Their Paying Capacities

WHERE credit granters use their credit bureau as a department of their own business, all credit customers are checked through the credit bureau. They obtain a credit report—regardless of the amount to be extended, how well the customer is known, or whether he is a friend of the boss. Also where the customer wants to add additional charges, a report is secured.

Some credit granters, however, use credit bureau service irregularly. If the customer makes a good down payment, or complies with government credit regulations, the granter doesn't call the bureau. Yet, if very many merchants extend credit to that customer on the same basis, unless he watches his own credit commitments carefully he will soon become overburdened!

Difference from World War II

Strangely enough, however, some credit granters take the position that they will collect their account no matter what a debtor owes. But individuals and families can't pay out more than they possess or can earn! Some credit granters consider that now they do not need to secure credit reports where Regulation W requires larger down payments, since the customer's high equity in merchandise sold on credit may seem to assure payment.

The realistic credit manager and top management of his firm, however, will consider present event trends which affect every credit customer. Extending credit under World War II credit regulations and extending credit now takes on an entirely different complexion. Before, high wages were not attended with present inflationary prices, nor did the government then require individual consumers to pay such high income taxes as the astronomical figures now needed for national defense . . . the \$12 billion it has already cost for the Korean War!

As management now seeks to bring both employees and stockholders closer to the problems of business, they have adopted the "pie" method of showing where the money goes. Were it possible to use the "pie" method to disclose where the average individual's dollar goes, it would clearly reflect to consumer and credit granter alike that inflation and taxes make it much more difficult for people to pay their bills—and especially to buy the good things of life on credit.

So, if credit granters are to extend credit wisely, they actually need credit reports more than ever before! How else can they determine just how much margin in the dollar income "pie" each credit customer has for possible emergencies and for meeting payments?

Responsibility to Customers

Thoughtful credit granters have long recognized that they owe a certain responsibility to customers not to extend too much credit . . . others pay little attention to what credit their customers obtain elsewhere. But the credit granter who is truly interested in the customer's welfare and worth carefully appraises commitments each time credit is extended.

Therefore, the files of your credit bureau become more valuable than ever before! Not only to determine the "who's who" of credit in your area, but to help newcomers or others deserving charge accounts.

Every day, almost every credit bureau has several heads of families who come to the bureau to discuss their obligations. These contacts occur because the slow-pay credit record has prevented the customer from obtaining additional credit.

Invariably, a heart-to-heart talk with the head of the family shows wages of from \$60 to \$100 per week, but commitments which added to living expenses may exceed the debtor's earnings by \$40 to \$100 per month! Add to that the fact that many of these families already owe from \$1,000 to \$2,000 each in past due bills!

It is the job of the credit bureau and its cooperative members to promote good consumer credit business. The credit fraternity is interested in aiding all those who are deserving to obtain any credit they can handle properly. Conversely, it is the job of the credit fraternity to protect not only the credit granters from those who cannot or will not pay, but also the credit customers themselves from becoming overburdened.

You Need All the Facts

Many customers must now find more money for larger down payments for listed articles, which may mean they will be a little short in paying "open charges" and other commitments. Credit reports will therefore be needed more than ever to determine credit capacities.

The time is past when credit information was needed only as a protection against bad credit. The "green light" of good credit can amplify sales promotion! Therefore, why not consider seriously the many advantages of always checking each credit applicant through your credit bureau? The "pick and choose" or "eyeball" method doesn't build good credit accounts nor does it prevent debtors from becoming overburdened. ★★★



CITY WOMEN in middle income groups spend more than seven times as much for clothing as women in the very low income groups, a Twentieth Century Fund survey discloses.

★ ★ ★

STILL TIGHTER curbs on instalment buying may be imposed soon as part of the Government's anti-inflation program according John R. Steelman, assistant to the president.

★ ★ ★

FOR THE YEAR 1949, the main personal consumption expenditures were: food, 28.4 per cent; clothing and accessories, 12.6; housing, 9.6; household operation, 10.8; medical care, 5.0; recreation, 5.7; and religious and welfare activities, 1.0.

★ ★ ★

WHEN YOU deposit money in a bank, you can draw out only what you put in, and no more. But when you deposit credit information in your local Credit Bureau, you can draw upon all the information deposited in 1,300 Credit Bureaus throughout the United States and Canada.

★ ★ ★

GORDON GRAY, Cleveland Credit Bureau, Cleveland, Ohio, was recently elected President, Associated Credit Bureaus of Ohio at the annual fall conference of the organization held in Springfield, Ohio, recently. Other officers named are: Paul David, Toledo, Ohio, Vice President; and L. W. Mannon, Lima, Ohio, Secretary-Treasurer.

★ ★ ★

SINCE MAY 3, 1941, 1,306,929,000 Series E bonds have been sold. The Savings Bonds program is the nation's greatest advertising program. It is the largest ever used to advertise any product, and it is presented free to the United States Treasury Department as a public service by the advertising industry.

★ ★ ★

THE NATIONAL SECURITY Resources Board has recently published a 32 page booklet entitled **SURVIVAL UNDER ATOMIC ATTACK**. It can be secured from the United States Printing Office, Washington 25, D. C., at 10 cents per copy.

★ ★ ★

A POST OFFICE regulation that became effective last August has put a dent in C.O.D. sales of mail order houses. The regulation cut from 20 days to 15 days the time a Post Office may hold a C.O.D. parcel. If the addressee cannot raise the money in that time, the Post Office must return a collect parcel immediately if it considers it undeliverable.

★ ★ ★

YOUR RIGHTS of Review When the Government Questions Your Income Tax Return is a neat little booklet prepared by the Government that explains the rights of the small businessman when his tax return is questioned. It shows how to get hearings in the Revenue Bureau, how to file protests on rulings and how to bring court action. It is free from the Small Business Division, United States Chamber of Commerce, Washington 25, D. C.

EXECUTIVE OFFICES of the Associated Credit Bureaus of America have moved from 1218 Olive Street in downtown St. Louis, Mo., to 7000 Chippewa, where the association has purchased a two-story building. The 7,000 square foot, air conditioned building has been remodeled to suit the needs of the association.

★ ★ ★

E. S. MILLER, Manager, Sioux Falls Credit Bureau, Sioux Falls, S. D., was elected president of the South Dakota Retail Credit Association at their annual convention in Huron recently.

★ ★ ★

WILBUR L. JONES has been appointed assistant to Fred R. Medlen, credit manager, Lichtenstein's Department Store, Corpus Christi, Texas. Mr. Jones succeeds Norman Johnson, who was called to service in the Naval Reserve.

★ ★ ★

INCOME TO INDIVIDUALS from all sources, says the Department of Commerce, rose to a record rate of \$223,400 million annually during August. This was almost \$20 million higher than the rate in August, 1949, and was up \$2,700 million from July. Wage and salary receipts accounted for almost all the July to August gains.

★ ★ ★

HERE IS AN IDEA! Why not have a 'Be Kind to Customers Week'? There are all kinds of special weeks for men, women, children and even animals so why not a 'Be Kind to Customers Week'? Such a week definitely has possibilities, especially from the volume and good will angles. The theme should be carried out from management on down to the delivery boy.

★ ★ ★

WHAT IS THE MOST Important Credit Problem for 1951? Here, again, is the annual question. The replies which our members send us each year have been regarded as the outstanding opinion of the retail credit profession in the United States and Canada. Mail your answer, in not more than 75 words, to the National Office, 218 Shell Building, 1221 Locust St., St. Louis 3, Mo., by December 18, 1950, so we can publish them in **THE CREDIT WORLD**.

★ ★ ★

THE CONSTRUCTION of the new office building for the N.R.C.A. is progressing rapidly. Barring delays, the project should be completed within the next several months. Have you subscribed to our 'Buy a Brick' campaign in connection with the project? If not, why don't you 'Be a Good Brick, Buy Some Bricks Today'? Turn to page 19 of this issue of **THE CREDIT WORLD** for News about this campaign.

★ ★ ★

HOUSEWIVES have a better than average accident record, a new study of private car insurance data indicates. Judged by insurance loss ratios, housewives rank well ahead of truck drivers as operators of the family car, while the records of traveling salesmen place them among the poorest of all drivers. In the list of 64 occupations, housewives stand 23rd, while truck drivers are 36th and traveling salesmen 62nd.

Plan Now to Attend THE 37TH ANNUAL INTERNATIONAL CONSUMER CREDIT CONFERENCE

THE STEVENS HOTEL, CHICAGO, ILLINOIS, JUNE 25-28, 1951

National Retail Credit Association

Credit Women's Breakfast Clubs of North America • Associated Credit Bureaus of America

Be a Good Brick, **BUY A BRICK, TODAY!**

CREDIT WORLD 29
DECEMBER 1950



Items of Interest From the NATION'S CAPITAL

HAROLD L. SCHILZ, Counsel, National Retail Credit Association, Washington, D.C.

The Soldiers' and Sailors' Civil Relief Act

THE NOVEMBER 1950 issue of *The CREDIT WORLD* began publication of a series of Questions and Answers relative to problems for credit grantors under this Act.

1. Question:—Private White owes Dr. Black a dental bill of \$75. He incurred part of the debt (\$50) prior to his induction, and the remainder (\$25) after he entered military service. Will Dr. Black be able to collect the \$75 from Private White by legal action during White's period of military service?

Answer:—Dr. Black's chances of succeeding through court action are small. If he sues White and the serviceman fails to enter an appearance, then under section 200, he will have to file an affidavit showing that White is in military service. As a result of the filing of this affidavit, the court may stay the proceedings or order Dr. Black to file a bond for \$150 before judgment will be entered. The court may at this point appoint an attorney to defend White.

If White does enter an appearance, the court will grant White's request for a stay of proceedings should he or his representative apply for it, or it may make such an order, in its own discretion, even without White's request, unless in its opinion, White's ability to pay is not materially affected by his military service.

Notice that this right of the court to stay proceedings brought against servicemen applies in respect of any obligation of a serviceman whether incurred prior to his induction or during his period of military service. (Sections 201 and 203.) However, it is possible for creditors to repossess goods from servicemen without going into court if the instalment obligation was incurred after induction—but not before. (Sections 301 and 302.)

2. Question:—Section 200 of the Relief Act requires a plaintiff to file an affidavit as to the military service of the defendant in all civil actions where the defendant fails to appear. Must this affidavit be in any special form?

Answer:—Many local courts have provided forms for this purpose. However, if no special form is prescribed, then any form of affidavit which furnishes the information set forth in section 200 of the Relief Act may be used.

A specimen form of affidavit is contained in the booklet published by this Association entitled "The Soldiers' and Sailors' Civil Relief Act."

3. Question:—Where proceedings are brought against a serviceman, how long may the proceedings be stayed by the court?

Answer:—The court may grant a stay of proceedings for the period of military service and 3 months thereafter, or any part of such period. (Section 204.)

4. Question:—A obtains a judgment against B prior to B's induction into military service. Can B secure a stay of proceedings after he becomes a serviceman?

Answer:—Yes. By making application to the court, B can secure an order staying the execution of the judgment, as provided in the Relief Act, unless, in the court's opinion, B's ability to comply with the judgment is not materially affected by reason of his military service. (Section 203.)

5. Question:—A man purchases furniture on the instalment plan, signs a conditional sales agreement, and makes the required down payment. Later, he is inducted into the army. During his military service, he fails to pay as agreed. What are the rights of the respective parties?

Answer:—The creditor cannot repossess the furniture unless:

- (1) He secures a court order (Section 301 [1]); or
- (2) He is able to enter into a mutual agreement with the soldier which will permit peaceable repossession. This mutual agreement must be in writing; it must be signed by both the debtor and creditor; and it is valid only if executed after the soldier's receipt of orders to report, or during or after his period of military service. (Section 107.)

If the merchant is unable to secure a mutual written agreement permitting peaceable repossession, he must bring action to enforce his claim. He may sue for the balance due on the contract, or for the return of the merchandise.

Merchants Must File Affidavit

If he sues for the balance due him, and the serviceman fails to enter an appearance, the merchant will have to file an affidavit showing that the defendant is in military service. As a result of filing this affidavit, the merchant will not be able to secure judgment unless the court so orders; but before making such an order, the court will probably require the merchant to file a bond for double the amount of the claim. (Section 200.) However, if the serviceman does enter an appearance, it is up to him to request a stay of proceedings, although the court has a discretion to stay the proceedings even in the absence of such a request. (Section 201.)

Should the merchant decide to sue for the return of the merchandise instead of the balance due him, he must

Letters That Cross the Editor's Desk

"It was a real pleasure to act as Chairman of the Furniture, Musical Instrument and Electrical Appliance Group at the Cincinnati Conference. It was a real education to me and I enjoyed meeting the many fine people who attended this group session. I wish to add my expression of appreciation for the fine program arranged by yourself and committee, not only for our group meeting but for the general conference. I feel it was one of the best I have attended."—Eldon L. Taylor, Glen Bros. Music Co., Ogden, Utah.

"Thanks ever so much for the certificate of membership in the N.R.C.A.'s Quarter Century Club which I deeply appreciate. Although I have been rather inactive in the affairs of the association, I shall always cherish the friendly relations resulting from my contacts with other members."—Howard B. Bliss, Shreve, Crump & Low Co., Boston, Mass.

"Thank you for the certificate of membership in the Quarter Century Club. I consider the privilege of membership in the N.R.C.A. for the past 30 years the high point in my life. I have read and studied every issue of *The CREDIT WORLD* and the many fine articles in each issue have been worth much to me in my daily work."—G. W. Sosebee, Perkins-Timberlake Co., Wichita Falls, Texas.

"I have received the certificate enrolling me as an Honorary Life Member of the N.R.C.A. for which I wish to express my appreciation to the Association for thus honoring me."—Henry M. Doll, Sr., Desmond's, Los Angeles, Calif.

"I wish to acknowledge my enrollment as an Honorary Life Member of the N.R.C.A. I assure you I appreciate your courtesy and look forward to receiving *The CREDIT WORLD* which you are sending me with your compliments. I will be glad to add my Certificate of Membership to the Certificate which you sent me in January as a member of the Quarter Century Club."—Robert V. Fleming, The Riggs National Bank, Washington, D. C.

"I am proud to have received my Certificate of Membership in the Quarter Century Club. I am having it framed and it will occupy a place in my office. My sincere best wishes for the continued good that the N.R.C.A. contributes to the business of the country."—Ellis A. Epstein, Hochschild, Kohn & Co., Baltimore, Md.

"Please send me as soon as possible 500 educational booklets 'The Good Things of Life on Credit.' We sent a sample to a tough account and received a \$5.00 payment in two days. This account is a close friend and such a gentle hint was the right medicine. Giving one of these booklets to each new account as it is opened should eliminate a great deal of collections."—L. H. Chupp, Chupp Jewelry Co., Lafayette, Ind.

"I am interested in obtaining a copy of 'Push Button Methods for Management' by H. W. Adkins

as described in the September, 1950, *CREDIT WORLD*. I would like to add that I thoroughly enjoyed Mr. Adkins' article 'It's Up to You.'"—James J. Tracey, Jr., Personal Loan Department, Gibraltar Savings & Building Association, Houston, Texas.

"Two years ago I visited the United States to study store management and credit trading. One result of that trip was that this Company became members of the N.R.C.A., and we have been receiving *The CREDIT WORLD* since that time. We should like you to know how greatly we appreciate the exhilarating articles and valuable information which your publication brings to us. It so often comes like a fresh breeze from the Atlantic, and gives us new lines of thought and inspiration on many problems. Long live *The CREDIT WORLD*."—C. S. Freeman, Clement Freeman and Son Ltd., Liverpool 7, England.

"I have been reading now for sometime *The CREDIT WORLD* which I enjoy reading from month to month and can truly say it is one of the finest publications for credit managers that I have as yet been able to find."—C. D. Jones, Lanier Womble Co., Raleigh, N. C.

"Yes, I have often loaned our office copy of *The CREDIT WORLD* to friends of mine and I certainly would like to take advantage of your invitation to send copies to several of them. Personally, I think the articles are terrific and would like to express my appreciation for the help the publication has given me."—A. E. Johnson, General Electric Credit Corp., Portland, Ore.

"The Conference in Cincinnati was outstanding. I always enjoy them and feel I gain a great deal meeting with other credit people and hearing the many fine speakers which we have each year."—Margaret Welch, Iowa Clothes Shop, Council Bluffs, Iowa.

"I received my Quarter Century button as well as the certificate enrolling me as a member of the Quarter Century Club. This is prized very highly and I think it is something that we should be very proud of. I assure you that the certificate will have a choice place in my office."—J. W. Waddle, G. A. Stowers Furniture Co., Houston, Texas.

"Your attractive Quarter Century Club certificate now graces my office and I appreciate it as a symbolism of my identification with an organization which has carved such an eminence in the national economy during our lifetime. I extend to you my fondest best wishes with the hope that you will, in good health and vigor, present the Golden Club awards after the N.R.C.A. has entered the second half of its first century."—H. M. Tobolowsky, E. M. Kahn & Co., Dallas, Texas.

still file an affidavit showing that the defendant is in military service if the serviceman fails to enter an appearance. The court may then order the merchant to repay the serviceman the amount he has paid before permitting the merchant to resume possession of the property. (Section 301 [3].)

On the other hand, if the serviceman does make an appearance, he has a right to apply for a stay of proceedings. If he does so, the court may order a stay for the period of the soldier's military service and 3 months thereafter, or any part of such period, unless, in its opinion, the ability of the soldier to pay is not materially affected by reason of his military service. If the service-

man does not apply for such a stay, the court may still exercise its own discretion and stay the proceedings. (Section 301 [3].)

Even if the action to resume possession of the furniture is stayed by the court, section 303 provides a method whereby the merchant may resume possession of the furniture. Under this section, the court may, unless in its opinion an undue hardship would result to the serviceman's dependents, appoint three appraisers to value the furniture. Based upon the report of these appraisers, the court may then order such sum, if any, as may be just, paid to the soldier or his dependent by the merchant as a condition of repossessing the furniture. ★★★

LOCAL ASSOCIATION *Activities*



Credit School at Denver, Colorado

The Fall class in Fundamentals of Retail Credit and Collections, sponsored by the Retail Credit Men's Association, Denver, Colorado, is now in process, the first Quarter lasting until Christmas. Mrs. Ruth Hardman of the Association is the instructor.

Canadian Credit Institute

The Canadian Credit Institute, through the University of Toronto, Extension Department, is again offering courses leading to the degree of A.C.I. and M.C.I. Both junior and senior courses cover not only such subjects as credits, collections and retail trade, but also include studies in economics, psychology, business English, etc., which assist in the application of practical knowledge. The Institute has conducted these courses for many years and has been quite successful in the training of the credit students of today who will be the credit executives of tomorrow.

Credit School at Kingsport, Tennessee

The Kingsport Credit Granters' Association, Kingsport, Tennessee, recently sponsored a credit school on the subject of Important Steps in Retail Credit Operation. The school met each Tuesday for five consecutive meetings with 55 Kingsport business men and women in attendance. They represented 39 different types of retail businesses in Kingsport and other East Tennessee towns, along with seven from Johnson City and five from Elizabethton. Local business and professional men were featured in the class discussions along with Leonard Berry, Educational Director, National Retail Credit Association who spoke at the opening session of the school.

El Paso, Texas

The new officers and directors of the Retail Credit Executives of Galveston, Galveston, Texas, are: President, H. A. Risley, Mountain States Telephone and Telegraph; Vice President, Robert Holbrook, Southwestern General Hospital; and Secretary-Treasurer, Mrs. Alice C. Youngberg, R. P. Youngberg Finance, Ltd. Directors: Vincent McConn, Popular Dry Goods Department Store; E. E. Winters, Watkins Motor Co.; Maxine Adams, Warner Drug; and A. F. Kennard, Feder's Jewelers.

Notice

Secretaries of local N.R.C.A. units throughout the country should send to the national office the new list of their officers and directors for the coming year immediately after their annual election. Send them to Arthur H. Hert, Secretary, National Retail Credit Association, 218 Shell Building, 1221 Locust Street, St. Louis 3, Missouri.

Galveston, Texas

The Galveston Credit Granters Association, Galveston, Texas, has elected the following officers and directors for 1950-1951: President, Edward Schreiber, Schreiber-Miller Furniture Co.; First Vice President, Alex Kottwitz, Nathan's; Second Vice President, J. C. Randolph, Southern Union Gas Co.; and Secretary-Treasurer, Elaine M. Matthews, Nathan's. Directors: Gordon A. Williams, Lack's Auto Supply Co.; Mrs. Jerry Gombold, Michael's Jewelry Co.; William J. Sadler, Merchants-Professional Adjustment Bureau; and Ben Nathan, The Model Shop.

Omaha, Nebraska

At the annual election of the Associated Retail Credit Granters, Omaha, Nebraska, the following officers and directors were elected: President, Don Smith, Northwestern Bell Telephone Co.; First Vice President, F. L. Barak, Aulabaugh Furs; Second Vice President, Kate Bristow, Berg Clothing Co.; Secretary, Allen T. Hupp, Associated Retailers of Omaha; and Assistant Secretary-Treasurer, Earl Higgins, Associated Retail Credit Bureau. Directors: Arthur Ahlstrand, Omaha Public Power District; Norbert Bausch, H. W. Miller Electric Co.; Harlan Cain, C. B. Brown Jewelry Co.; Beck Kaldahy, Omar Baking Co.; Gladys O'Donnell, Herzberg's; Peggy Rader, Rader Office Equipment Co.; Harry Rogers, United States National Bank; and Nels Velander, E. P. Boyer Lumber & Coal Co.

District Five

Mrs. Carrie Thompson, Credit Manager, Gilmore Brothers, Kalamazoo, Michigan, and Secretary Treasurer of District Five, N. R. C. A., has been elected President of the District succeeding L. S. Oberhausen, who resigned because he has entered another field of endeavor. She is one of the founders of the Kalamazoo Association and has the distinction of being the first woman president of a district. Other officers are: Vice President, Arthur R. Peterman, *Cleveland Plain Dealer*, Cleveland, Ohio; and Secretary Treasurer, Thomas G. Black, The Rayl Company, Detroit, Michigan. Directors: Keene Wolfe, Michigan National Bank, Battle Creek, Michigan; Roy H. Gale, H. & S. Pogue Company, Cincinnati, Ohio; Clifford J. Redding, Kay's Jewelers, Lima, Ohio; Rita Barnes, W. W. McPhillips Company, London, Ontario, Canada; and O. O. Woodward, F. & N. Arbaugh Company, Lansing, Michigan.

Charleston, West Virginia

The new officers of the Retail Credit Association, Charleston, West Virginia, are: President, L. A. Dudding, Galperin Music Co.; Vice President, George Denton, Welfare Finance Co.; Secretary Treasurer, Lee H. Henkel, Charleston National Bank; and Managing Director, Dewey E. S. Kuhns, Credit Bureau of Charleston.

IMPROVE YOUR COLLECTIONS

*Consistent Use of These New Collection Aids Will Produce
Highly Satisfactory Results and Retain Good Will*



● Has it occurred to you that your unpaid account, if entered against your record in the files of the credit bureau, may jeopardize your credit standing?

● The National Retail Credit Association, of which we are a member, is a mutual nonprofit organization with more than 25,000 members in the United States, Canada, Alaska, and Hawaii. In the files of its affiliated credit bureaus are maintained accurate, up-to-date records on millions of credit customers. These form the basis of credit reports used by many retailers and others to judge the character and trustworthiness of applicants for credit.

● The purpose of this reminder is to help you protect your credit standing in the community by making payment **NOW**.

Name _____ Address _____
Creditor _____ Address _____
Balance \$ _____ Past Due \$ _____ Date _____

Printed in bronze blue ink on buff colored bond paper.

How to Build a Good Credit Record

- 1—Pay charge accounts in full within 10 days after receipt of bill.
- 2—Make contract payments on or before due date.
- 3—Guard your credit as a sacred trust.



Printed in dark green ink on light green gummed paper.

Prompt Payment

of your account is solicited in the same courteous manner as your patronage. Both are appreciated.



Printed in bronze blue ink on light yellow gummed paper.

Terms on Monthly Charge Accounts

ACCOUNTS are due and payable upon receipt of bill. They are past due if not paid within 30 days after bill is rendered.



Printed in bronze blue ink on light blue gummed paper.

ONLY \$2.50 A THOUSAND

Assorted, \$3.00 a Thousand



NATIONAL RETAIL CREDIT ASSOCIATION

SHELL BUILDING

ST. LOUIS 3, MO.

Here it is! The booklet credit executives have been waiting for!

TESTED CREDIT and COLLECTION LETTERS

By **WILLIAM H. BUTTERFIELD**

*Author of 13 Other Outstanding
Books on Letter Writing*



CONTENTS

1. Offering Accounts and Soliciting Credit Patronage;
2. Granting Requests for Charge Accounts;
3. Thanking Customers for Opening Accounts;
4. Expressing Thanks for First Credit Patronage;
5. Thanking Customers for Regular Patronage;
6. Expressing Thanks for Prompt Payment;
7. Inviting Service Suggestions from Customers;
8. Promoting the Use of Inactive Accounts;
9. Expressing Thanks for Renewed Patronage;
10. Requesting Payment of Past-Due Accounts.

TESTED CREDIT AND COLLECTION LETTERS contains 100 complete letter specimens that boost credit sales, build good will, and collect past-due accounts.

This booklet consists entirely of letters, organized for quick, easy reference. It gives you a variety of effective account-solicitation letters . . . "thank-you" letters for patronage and for prompt payment . . . inactive-account letters that bring back lost patrons . . . letters inviting suggestions from customers . . . letters that collect slow accounts while holding consumer good will.

Here is a booklet that solves many of your daily letter-writing problems . . . quickly, easily, successfully . . . by giving you just the right letter for your credit-promotion or collection mailing.

Forty-three leading retail firms have cooperated with the author in producing this valuable booklet. Order your copy now. Price, \$2.00.

MAIL THIS COUPON TODAY

NATIONAL RETAIL CREDIT ASSOCIATION
218 Shell Building, 1221 Locust Street
St. Louis 3, Missouri

Please send me _____ copy (ies) of TESTED CREDIT AND COLLECTION LETTERS.

Name _____

Firm _____

Address _____ City _____ Zone _____ State _____